BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

JANUARY 1961

EXECUTIVE OFFICE BUILDING, MALACANANG PALACE GROUNDS, MANILA

In This Issue

Interest Rates in 1961

DR. James O'Leary, director of economic research, Life Insurance Association of America, says:

"My guess would be that interest rates will decline moderately into the spring of 1961 and during the second half of the year will turn up gradually to recover the ground lost during the downturn."

Dr. O'Leary's discussion, which we title "The Outlook for Interest Rates in 1961," (page 40), offers a careful commentary on the general economic outlook. He says, among many other things, that the long upswing of the interest rate cycle has *not* about run its course for the reason that capital demands of the Sixties "will continue to press against available supplies, and interest rates will generally tend to be firm at high levels."

"Not Even the Richest Nation . . ."

READERS of Herbert Bratter's "'Hot Money' Is Back" in the December issue will find his "The Dollar: A Problem of Balance" equally instructive. Reporting opinions on the reduction or elimination of the gold ratio, and reviewing the U.S. balance of payments deficit, Mr. Bratter concludes that the problem "may be described as made in America."

"Its solution," he says, "if there is to be one without more serious consequences to the dollar, must be looked for not in Bonn, Paris, London or Tokyo, but in Washington. Not even the richest nation can afford indefinitely to ignore economic truths. As stated by the managing director of the Monetary Fund, 'The Lord has given no dispensation to the United States from the ordinary credit principles.'"

Five Round Trips to the Moon

THE January instalment of "Banking's AMERICAN Story" is about checks, and it's hinged to the revolution which, thanks to electronics, is changing this most widely used of all bank services. It's the greatest chapter in the check's history.

Our article "Checks" (page 45) reviews the career of this indispensable bit of paper. The more than 13-billion checks paid by American banks each year—totaling $2.3-trillion—are "enough paper to make five round trips to the moon"; handling them in the banks is the world's biggest data processing job.

"Electronic equipment thus used will open a new world of possibilities for handling other operations that include virtually the entire range of bank services." And: "The equipment is versatile and flexible enough so that banks may eventually be able to make it available to businesses and individuals for such diverse purposes as preparing payrolls, inventory control, sales analysis, accounting and engineering purposes."

Meet Messrs. Dillon and Bell

Two of President-elect Kennedy's important appointees—men who will have jobs particularly close to the economy—are introduced to BANKING'S readers in brief sketches that start on page 44. They are the designate Secretary of the Treasury, Douglas Dillon, and the Director of the Budget, David E. Bell.

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Chicago Office, 33 South Clark Street, Chicago 3, Ill.; Washington Office, 730 Fifteenth St., N.W., Washington 5, D. C. Subscriptions: $5.00 yearly; Canada, $5.50; Foreign, $6.00; single copies, 50 cents. Publication office, 10 Ferry St., Concord, N. H. Second class postage paid at Concord, N. H. With the exception of official Association announcements, the American Bankers Association disclaims responsibility for opinions expressed and statements made in articles published in this Journal.

Send Editorial, Subscription and Advertising Communications to 12 East 36th St., New York 16, N.Y., U.S.A.

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

CONTENTS

JANUARY 1961

Some material belongs in several different classifications but for your convenience is usually listed under one heading only

BANKING'S Investment Forum

Governments and Municipals: Two Investors Look at the Market

THE sale of Government and municipal bonds has long been used as a barometer by economists to prove almost anything. Toward the end of 1959 when the forecasters were gathering their robes about them and rolling out their crystal balls, the predictions were that the municipal bond issues in 1960 would top $7.6-billion.

By December, however, it was obvious that the forecasters were a little off the mark, since the total issue was still about $1-billion short of the predicted record.

Bond men aren't viewing the market with alarm, however, but are pointing with a certain amount of hopefulness, as well as pride, to the fact that the voters on November 8 approved 89% of the $3.7-billion of new borrowings.

The forecasters are saying that the use of these bonds to build schools, water and sewer facilities, highways, bridges and tunnels, and housing, will boost the economy. Many are already making it a part of their predictions as they take their annual trek out on the 1961 limb, where, incidentally, some soothsayers are just returning from last year.

Out in Chicago two men who know far too much about bonds to make rash predictions have taken an enlightened look at what has happened and may happen in the market during 1961. George B. Wendt and Le Roy Winterhalter, both vice-presidents of the First National Bank of Chicago, analyzed the market and presented their views to the First National's Conference of Bank Correspondents.

TVA in the Market Place

As the most dramatic development in the capital market during the entire year, Mr. Wendt pointed out the recent offering of the $50-million in revenue bonds by the Tennessee Valley Authority. For some time the TVA had been sending up trial balloons in congressional halls to see if the foes of public power had any fight left in them. There were a few pot shots taken, but no one got off a real blast. A bill was passed allowing TVA to go into the market place, although it stated that the proceeds must be spent on power facilities only. The bill allows TVA to issue $750-million in bonds over a seven-year period.

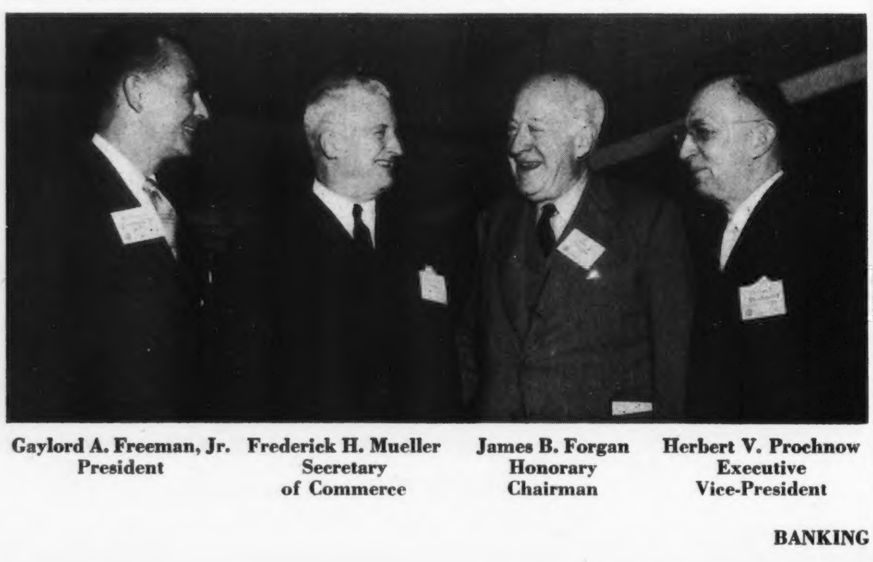
Needless to say, the issue did not go unnoticed by bankers. In fact, since TVA wanted as many buyers as possible and since there was considerable toing and froing in banking circles, an amendment was later added to the legislation to permit national banks to bid on this type of bond—a hybrid that doesn't fall into any category.

As Mr. Wendt noted, four syndicates competed for the issue which went up for bids on November 15. The block was sold to a nationwide bank group on an over-all cover of $200 over the second bidders. Carrying an AAA rating, the bonds were reoffered to yield 4.40%.

TVA, which has not been able to support itself, has survived on con-

(CONTINUED ON PAGE 6)

Some of the principal speakers get together at the 14th Annual Conference of Bank Correspondents of the First National Bank of Chicago



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(CONTINUED FROM PAGE 4)

gressional appropriations, supplemented by its own earnings.

Lion's Share to Schools

As in other years, the lion's share of municipal bond proceeds went into education in 1960. In fact, one-third of the year's total was alloted in one way or another to schools, a figure approaching $2-billion. Even so, more and more communities are turning to the Federal Government for assistance, not necessarily because they need the money, but because they want their "share" if the goodies are to be passed out.

Referring to this attitude, Mr. Wendt stated, "The independence of local governments is being impinged upon by the growing reliance on the Federal Government for the financing of public facilities for those local governments. The Municipal Securities Committee in its interim report last spring to the Board of Governors of the IBA pointed out that if local governments rely on the Federal Government for assistance in financing their public facilities, it is apparent the Federal Government could determine the type and character of the facilities to be financed and what the local governments would receive in Federal assistance. This could easily be an erosion of the independence of local governments . . . Usually the need for Federal assistance to the local governments is predicated on some so-called 'crisis' in the case of a particular type of public facility." He added that the volume of local governmental financing which has been zooming upward annually is substantial evidence of the ability of these political subdivisions to obtain capital in the open market.

Tax Exempts May Be Headed for Trouble

Another important factor which Mr. Wendt pointed out before closing was the possibility that the Internal Revenue Service may be working toward an end to tax exemption of municipals. He concluded: "Continued concern by officials of our state and local governments was expressed at the recent hearing held by the Internal Revenue Service regarding the treatment of the tax exempt income of life insurance companies . . . A recent press release mentioned that in some quarters it was felt the Treasury was using the 1959 Life Insurance Income Tax Act as an opening wedge in a drive to eliminate the tax exemption feature altogether. If the Internal Revenue Service does not change its preliminary intentions relative to the treatment of the insurance companies' tax exempt interest, we can anticipate a court test."

Governments

The purpose of a bank's investment portfolio is to provide bank income, and the better the portfolio management, the more income it will provide. This is a rather obvious truth and Le Roy F. Winterhalter kept emphasizing it in his remarks to the Conference of Correspondents.

He said that in the last decade he didn't feel that banks as a group had fared well in portfolio management, adding: "They have been inclined to over-extend and over-invest at the high range of security prices. As a result, they have been forced to live indefinitely with these high-priced securities or, as an alternative, sell them at a loss to obtain funds for loaning purposes during periods of high business activity . . . It is a fact that the temptation is great to follow this type of investment program because banks basically have funds to invest when interest rates are low, and they need funds for other purposes as interest rates firm."

Investment Primer

Mr. Winterhalter then offered the conference what could be classified as a primer for anyone just entering the investment field: "It would seem advisable for banks as a group to establish an investment program that will be effective in the absence of luck or supernatural market judgement. The basis for such a program contemplates the maintenance of adequate primary and secondary reserves to provide liquidity when needed. Funds available for investment, after provision for current cash requirements, would be used to purchase securities maturing each year up to five years or, in some cases, slightly longer when loan risk is nominal, and this staggered maturity set-up would remain constant through periods of both high and low interest rates.

After giving the fundamentals, Mr. Winterhalter turned to recent market trends. Under the current economic conditions, ". . . short term yields have continued the irregular down-

ward trend which has been in evidence during most of the year, and yields on 91-day and 182-day treasury bills touched new 1960 lows of 2.12% and 2.45%, respectively, in early November.

The failure of the market to respond to monetary ease and the lowering of some foreign central bank rates raised the question in bond market circles as to "whether the market's action is forecasting some fundamental change in the picture which is not yet apparent, or is merely reflecting the current heavy supply of new fixed-income issues and the prevailing tightness in the reserve positions in the principal money centers."

Mr. Winterhalter pointed out that there are three uncertainties now at work in the market. One is the heavy calendar of corporate and municipal issues, which is expected to decline soon. The other uncertainty is the impact of the gold outflow, which is being countered by presidential directives. The third is the election of Senator Kennedy, of which the effect is not yet known.

What's Ahead?

It appears logical to assume that the major portion of the advance in Government quotations has already occurred, Mr. Winterhalter said. "If the present so-called recession proves to be mild," and he believes that it will, "I would be very cautious in extending maturities, as any sudden resumption of economic activity would call for an immediate revision of the current monetary policy of ease.

"I would be inclined to confine the major portion of my Government bond portfolio to the one-to-three-year bracket under present conditions, with a modest amount of four- or five-year maturities. Moderate holdings of the latter would lock up the yields available in these maturities as a protection against a sudden deepening of the recession and a further sharp softening of interest rates."

Mr. Winterhalter ended, ". . . my feeling is that while there may be slight fluctuations in interest rates from time to time, the next major change in the rate structure will be on the upward side. . . . The timing is uncertain, but if I had to guess, I would think it might occur near the end of the first quarter or sometime in the second quarter of 1961."

GOVERNMENT BONDS

"Vault Cash" Raises Reserves . . . Treasury Bills . . . Banks Lower Investments . . . Offer to Holders of F and G Savings Bonds . . . Shrinking Gold Supply

MURRAY OLYPHANT

FOR Government bondholders about the only thing that is certain is that the interest on their holdings will be paid. Also it is nearly as certain that the purchasing power of their interest dollar will not vary much in the near future.

So far as the market value of their securities is concerned, the outlook is anything but clear.

Should the "cyclical depression" run along through the first half of next year, accompanied with some decline in loan volume, the balance of trade in Government securities might swing to the buying side. Meanwhile continuance of easy money policies could be expected to produce lower interest rates. This would seem to be a normal development.

However, the shrinkage in the gold stock makes any widening of the interest rate between here and abroad highly undesirable and to be prevented if possible. We can no longer act as though the problem were purely domestic.

In the Government Bond Market—Factors to Watch

(1) The general state of business activity as reflected in data on industrial production, the unemployment rate, the average work week, etc. Any marked improvement should raise bond rates, and conversely.

(2) Business expenditures on plant and equipment. Should these drop sharply, a general decline in long-term interest rates would be likely.

(3) The budget of the Federal Government. If the new Congress votes much higher appropriations for fiscal 1962 than for the current year without a corresponding increase in tax revenue, interest rates in general would tend to rise.

(4) The monetary policy of the Federal Reserve System, as reflected in the figures on free reserves of member banks. While this normally parallels and reinforces the effects of cyclical swings in business activity, the new Administration might bring pressure to bear upon the Federal Reserve to pursue an easier money policy than would otherwise be warranted.

(5) Our international balance of payments. A continuation of heavy deficits and gold outflows might compel the monetary authorities to maintain interest rates at higher levels than they otherwise would.

(6) Interest rates in the principal financial centers abroad. There is a growing tendency for rates in different countries to move in the same direction.

To say anything more definite about the outlook is quite impossible. It is necessary to await economic developments. For the moment it hardly seems likely that the market will develop any long-term trend.

Naturally no one forgets that a new Administration takes over late this month and is pledged to do something. Just what, how, and when is anybody's guess.

However, from the standpoint of the market for fixed income securities and Government issues in particular, it is a little strange that the prospect for larger Government expenditures, coupled with the continued easy money policies of the monetary authorities, has not served to develop any confidence in the future course of prices.

On the contrary, during November, as in October, buyers definitely continued to prefer to maintain short-term positions. True, a substantial amount of new corporate and municipal offerings came into the market, but only those issues realistically priced were successfully marketed. Others had to reduce prices when the syndicates closed.

The first week of November saw prices quoted down, with the longest bonds off the most. In the second week the long bonds improved a little while the balance of the list drifted off slightly. In the third week markdowns were across the board and the same happened in the fourth week.

For the month as a whole and to December 5, maturities up to five or six years were down, but not much. However, longer bonds showed declines of from a few thirty-seconds to as much as $1\frac{5}{8}$ in some of the longest-term issues, notably the $2\frac{1}{2}\%$ bonds.

Once again, as last month, the volume of transactions in the issues with maturities of longer than five years was very small. Shifts from one issue to another for tax purposes probably accounted for most of them. Once again, however, the volume of transactions in the short-term category, especially Treasury bills, was very large and active.

The whole character of the market was proof that caution was still the prime consideration in the minds of investors, because no one was able to make up his mind as to which way the market was going. So all were playing safe.

Vault Cash Raises Reserves

After adding about $690,000,000 to the portfolio of the Federal Reserve banks during October, the

(CONTINUED ON PAGE 12)

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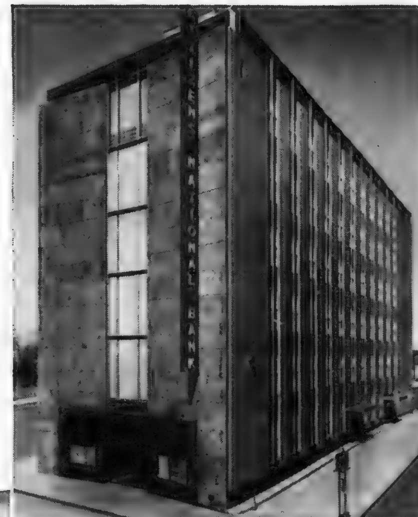

These banks, too, chose Bank Building to plan their new quarters. Regardless of size, location, or scope of work, it will pay you to talk to Bank Building Corporation first. Top to bottom:

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(CONTINUED FROM PAGE 8)

Open Market Committee managed to lower the total slightly during November. This was due to a reduction of over $590,000,000 in the amount of repurchase agreements which more than offset additions to the regular portfolio of about $440,000,000.

There was a sharp drain on reserves because of a shrinkage in the gold stock of almost $450,000,000 and an increase of over $500,000,000 in money in circulation. However, the effect of allowing vault cash to be counted as reserves, which was effective over the month-end, added nearly $1,495,000,000 to the reserve position. Actually the total of Federal Reserve credit increased $362,000,000 for the period.

At the end of the month "positive reserves" rose to $997,000,000 and averaged over $550,000,000 for the month. Moreover, the float rose sharply after the mid-month and averaged over $1,200,000,000 for the period.

But for the addition of "vault cash" to bank reserves, it would probably have been necessary for the Open Market Committee to buy rather a large amount of bills, with the probable result of lowering the rate, which would have been anything but desirable in view of the continued drain on the gold stock.

Little Change in Treasury Bills

For the month of November the cost to the Treasury of the weekly offerings of Treasury bills showed little change from the previous month, as can be seen from the table below.

The sale in the following week was about at the same rates as for the November 23 issue.

As yet there is no indication of any disinvestment of bills from holders outside of the banking system. Why should there be? Bills have become an alternative for bank balances, as they pay interest and are recognized as riskless.

Banks Lower Investments

After adding to their investments for a couple of months, the reporting member banks let them run off nearly $800,000,000 in November. (Governments off $555,000,000; other investments down $233,000,000.) This was the result of lowering their holdings of Treasury bills by over $1.1-billion and adding somewhat to their holdings of other Governments.

Loans (adj.) increased only slightly ($272,000,000 from October 26 to November 23). Some increase over the December 15 tax date was likely, but there was no evidence of any real upsurge by the year-end. If none develops there should be no need of any further purchases of Government securities by the Open Market Committee. In fact the Federal Reserve banks' portfolio of Government securities might show some decrease by the year-end.

Offer to Holders of F and G Savings Bonds

On November 18 the Treasury offered the holders of about $750,000,000 of F and G bonds, still outstanding and maturing in 1961, the right to exchange them for 4% bonds 10/1/69 at a price of 100½. The 4% bonds were then selling at over 101 and still are.

The Treasury pointed out that acceptance of the exchange would result in an increase of about 1% in the income return. The subscription books were open from November 21 to 29 inclusive.

Only $144,000,000 of the F and G bonds were turned in for the exchange ($11,000,000 of the F bonds and $133,000,000 of the Gs).

Last year about half of the $1.4-billion of F and G bonds then outstanding were exchanged for a 5-year 4¾% note. At that time the

Weekly Offering of Treasury Bills

Offered on	*3 months* Amount	Average cost	*6 months* Amount	Average cost
Nov. 2	$1.1-billion	2.39%	$400,000,000	2.572%
Nov. 7	$1.1-billion	2.624%	$500,000,000	2.825%
Nov. 16	$1.1-billion	2.396%	$500,000,000	2.749%
Nov. 23	$1-billion	2.326%	$500,000,000	2.640%
Average for period		2.43%		2.70%
Average for previous period		2.34%		2.73%

holders of the larger amounts of F and G bonds made the exchange. This year there were no holders owning as much as $100,000.

Probably many holders of the smaller amounts never knew of the exchange offer at all. Those who did seemed content to retain their bonds and get the money in 1961.

While the Treasury was said to be satisfied with the result, it hardly seems to have been worth the trouble.

The Shrinking Gold Supply

As of November 30 the Federal Reserve had gold certificate reserves of $17,610,000, which was $1,667,000,000 less than on December 2, 1959.

At the same time the ratio of gold certificate reserves to deposit and Federal Reserve note liabilities was 38.3%, against the present statutory requirement of 25%.

The drain on the gold stock, as is well known, has resulted from the continuance of an unfavorable balance of trade. This has been due to the excess of U. S. expenditures abroad, the maintenance of armed forces for defense, the heavy spending abroad by American tourists, and large outgoes from programs of economic betterment.

Furthermore, higher interest rates have prevailed in Europe than in the United States, so that substantial amounts of funds have been withdrawn from balances here not only for the sake of the better interest return but perhaps because of a highly speculative fear that a continuance of current conditions might result in lowering the price of gold and devaluation of the dollar.

Recently there has been constant comment on this subject even though it is true that the United States still has about as much gold as most of the European nations combined—except Russia. Moreover, as has been pointed out by several conservative commentators, there is nothing sacred or immutable about the 25% ratio. In fact, these same commentators suggest doing away with it altogether.

What would engender and retain confidence among foreign bankers would be sound management of our domestic economy with a balanced budget and a continuance of the independence of the Federal Reserve.

THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

"SLUGGISH" is the word which describes best the investment market of recent weeks. This came as no surprise to the experts, since they have been through a number of Presidential elections in the past and the inherent uncertainties created by future fiscal and monetary policy.

The stock markets were depressed by business and industrial news which was considered disappointing by many. There was a considerable squeeze in industrial profits and there was no prospect of a material change in this area.

The elections were taken in stride by the tax-exempt bond markets. Optimists were in the saddle most of the time. The only fly in the ointment was that institutional investors became more equity conscious than before.

A Straw in the Wind

It may not be a straw in the wind, but it may be. Usually, when bond prices fall, quotations for stocks go up and vice-versa. Depending on the supply and demand in either market, anything is liable to happen.

Outside of supply and demand, there are the usual money market influences. The post-election period of 1960 saw no appreciable changes in rates. Continued easy money is expected especially in view of recession warnings from many quarters. Also, the Democrats, as represented by the next President, John F. Kennedy, in the last decades have been identified with easy rather than hard money.

The outflow of gold from the United States, at least in part, can be linked to the level of interest rates here in relation to those abroad. Private and institutional investors place their funds in places where a maximum return may be obtained with relative safety.

In the perspective of world conditions, it may well be in the interest of the United States under an Administration of whatever denomination, or kind, to raise interest rates and reattract money from all over the world for self-preservation. This is one main factor to be considered at the present time. Perhaps, the favoritism of common stocks over bonds by institutional investors, as took place recently, anticipated such a development.

November Bond Elections

On last election day, voters approved by a little more than 89% of proposed bond issues. The total amount was $3,041,402,000 and $357,578,000 was turned down.

The biggest item of nearly $2-billion covered water and sewer installations. There were more big items on the list. Funds for educational facilities were approved to the tune of more than $400,000,000, while $75,100,000 were disallowed. Roads, bridges, and veterans' aids were the other large items. Added to the bond list are expenditures for ports and airports, public housing, health and welfare, flood control, and so on.

It may be added that Federal loans to states and municipalities aggregated $5,800,000 in October. Of this, $1,700,000 was for education, about $1,630,000 was for water and sewer facilities, approximately $1,900,000 for public housing and urban development and more than one-half million for health and welfare, according to the Investment Bankers Association of America.

Gifts of Securities to Minors

The problem of Christmas presents was solved to a greater extent than ever this last season by gifts of securities. "Gifts to minors" laws are effective in all of the 50 states of the Union.

In most instances, gifts of securities on any occasion to minors can be made simply. No guardian needs to be appointed. No living trust has to be set up. The gifts are made either under the "model law" or under the "uniform gifts to minors act."

There is a ruling on the statute books of the Internal Revenue Service (Rev.Rul. 59-357) that under both laws the gift tax is waived in such instances up to $3,000 a year to a minor.

Some of the securities' gifts during the last holiday season have been in various bonds and stocks. A good number of them have also been in stocks of investment companies, both mutual funds and closed-end corporations. It may be observed that the Internal Revenue ruling is based on the premise that for Federal Tax purposes the gifts are appraised at the "full fair market value."

The New Russian Ruble

The propaganda move by the Soviet Union to create a "gold ruble" may mean little, at the moment, to people in Indiana, or Kentucky. But it could be a considerable threat in world trade in the long run.

Despite their other obnoxious activities, the Moscow Reds have fulfilled their financial obligations, even though they repudiated the external Czarist debt and expropriated foreign property, such as the Lena gold fields.

The new gold ruble, or "rouble," if you will, is a distinct challenge to American banking and international trade. It threatens the U.S. price of gold. It threatens the validity of every unilateral and multilateral U.S. trade agreement in the world.

This change may not affect the farmer in Illinois who sends money to his mother in Iowa, but, on the other hand, he could be affected gravely—and the Federal Government could, too—if the gold ruble of 1961 would upset the U.S. equilibrium of commodity trading in which the Americans and British have excelled for decades around the world.

The Russian threat in the international investment market, of whatever caliber, is not an idle one. It can be backed up by about $9-billion worth of gold, according to the best informed sources. The Kremlin move is, obviously, designed to depreciate the dollar in terms of gold and, thus, fall prey to international finagling, which could be only in the Kremlin's interest.

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When NOT to Use Incentive Premiums

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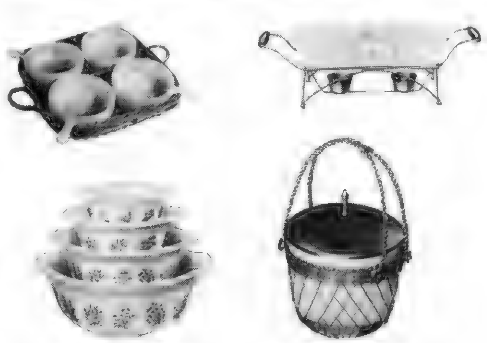

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Investment Portfolio Changes

INSTITUTIONAL investors remained cautious. It could be termed "operation seesaw." Perhaps one of the most outstanding features was the continued and accelerated interest in foreign securities. Obviously, a higher return was the determining feature of investment operations in this area.

But, of course, not all institutional investors are permitted by statute to invest in foreign securities.

In view of domestic market conditions which were influenced by real or imaginary bad business news, there appeared an almost unprecedented divergence of opinion as to what to buy and what to sell.

Securities most in favor were those on the depressed list, on the theory, that sooner or later, they had to go up in price. Examples were aircraft securities. They had been talked down for a long time. The advent of missiles was supposed to make aircraft obsolete, but the aircraft industry, the analysts discovered, will play a substantial part in developing the upcoming missile industry.

Construction is another example. It has not been doing so well recently. Thus, institutional investors concluded the worm is about to turn. They bought rather heavily in any companies connected with the construction industries. Among other favorites were beverages, drugs, insurance, and tobaccos. Oils did not do too badly either on the buying side.

Despite improvement in the industry, as a whole, textiles were sold widely. There was also not too much investors' interest in Radio Corporation of America, although electronic issues, in general, were in relatively good demand.

In the investment markets, it is quite difficult to single out industries, as against companies. One industry may be on top of the list, but there may be several companies in this group which are not considered particularly desirable for reasons of return, market, management, or long-term outlook.

Over-All Picture

As an over-all picture, it may be said that, rightly or wrongly, the greatest majority of institutional investors, at this point, favor common stocks above other categories. The second most favorite category is municipal bonds, according to banking opinion.

Oil and gas are still looked upon favorably by most analysts, followed by utilities and electric and electronic securities.

As to the trend in stock prices in 1961, the majority of brokerage opinion and of banking opinion is that the moderate upswing will continue. The majority may or not be right.

Others insist there will not be too much of a change and the pessimists, of course, predict a decline. This, obviously, is based on the continual talk of another recession. After all is said and done, the U.S. economy and the investment markets are apt to proceed on an even keel generally.

INVESTMENTS? ASK ME!

Would you invest? Then first investigate!
That's what I did. Just let me illustrate:
In seeking oil stock, bona fide and valid,
I found that *Wesson Oil* is used for salad!
I've learned that *Cannon Mills* do not make guns;
Joy Co. sells neither jokes nor puns.
Howe Sound produces minerals—not noise;
And *Admiral's* not one of Navy's boys,
Neither is *General Mills* an Army man.
Brown Shoe makes *black* footwear, as well as tan!
While *Seaboard Air Line* is a *railroad* stock,
And *Time, Inc.* never made a clock!
Just use this plan—investigate with care—
And (maybe) you'll wind up a millionaire!—EVERETT SCROGGIN

New Issues · 1960

Purchased and Offered by Halsey, Stuart & Co. Inc. alone or with associates*

Amount of Issue	*Tax-Exempt*
$ 70,000,000	ALABAMA EDUCATION AUTHORITY† Var. Rates Rev. Bonds (2 issues)
4,137,000	ALEXANDRIA, VA. Var. Rates Bonds
40 000,000	CHICAGO BD. OF EDUCATION, ILL.† 3⅜% & 3½% Bonds (2 issues)
9,515,000	CINCINNATI, OHIO Var. Rates Bonds
19,200,000	DADE COUNTY, FLA.† 4.70% Port Auth. Rev. Bonds
14,525,000	DETROIT, MICH.† (4 issues) Var. Rates Bonds & Rev. Bonds
10,000,000	DETROIT SCHOOL DISTRICT, MICH.† Var. Rates Bonds
30,000,000	EAST BAY MUNICIPAL UTILITY DIST., CALIF. Var. Rates Bonds
25,500,000	EUGENE, OREGON† Var. Rates Rev. Bonds
7,770,000	FLORIDA STATE BOARD OF EDUCATION Var. Rates Rev. Bonds
8,000,000	KANSAS CITY, KAN. Var. Rates Rev. Bonds
4,750,000	LEXINGTON, KY.† Var. Rates Rev. Bonds
3,950,000	MAINE, STATE OF† 2.90% Bonds
32,500,000	MARYLAND STATE ROADS COMMISSION† Var. Rates Rev. Bonds (2 issues)
50,000,000	MICHIGAN, STATE OF† Var. Rates Rev. Bonds (2 issues)
21,896,000	MICHIGAN SCHOOL DISTRICTS Var. Rates Bonds (17 issues)
17,177,000	MILWAUKEE COUNTY, WIS.† Var. Rates Bonds (3 issues)
7,000,000	MINNEAPOLIS-ST. PAUL METRO. AIRPORT COMM. MINN.† Var. Rates Bonds
4,000,000	NASHVILLE, TENN. Var. Rates Rev. Bonds
6,200,000	NEW ORLEANS, LA. Var. Rates Rev. Bonds
220,000,000	NEW YORK STATE POWER AUTH.† Var. Rates Rev. Bonds (2 issues)
52,096,400	NEW YORK SCHOOL DISTRICTS Var. Rates Bonds (25 issues)
4,500,000	NIAGARA COUNTY, N. Y. 3% Bonds
11,221,000	OYSTER BAY & BABYLON S/D NO. 22, N. Y.† 4.20% & 4¼% Bonds (2 issues)
64,345,000	PHILADELPHIA, PA.† Var. Rates Bonds (2 issues)
41,282,000	PENNSYLVANIA STATE PUBLIC SCHOOL BLDG. AUTH. Var. Rates Bonds (2 issues)
4,900,000	PIMA COUNTY SCHOOL DISTS. ARIZ.† Var. Rates Bonds
55,000,000	PORT OF NEW YORK AUTHORITY† Var. Rates Rev. Bonds (2 issues)
5,000,000	PUERTO RICO, CAPITAL OF Var. Rates Bonds
6,000,000	SACRAMENTO, CALIF. Var. Rates Rev. Bonds
30,000,000	SACRAMENTO MUNICIPAL UTIL. DIST. CALIF.† Var. Rates Rev. Bonds
5,000,000	SAN DIEGO COUNTY, CALIF. Var. Rates Bonds
7,000,000	SAN DIEGO COUNTY WATER AUTHORITY CALIF.† Var. Rates Bonds
12,435,000	ST. LOUIS, MO.† Var. Rates Bonds
5,200,000	UNIVERSITY OF ILLINOIS, BD. OF TRUSTEES Var. Rates Rev. Bonds
13,662,000	VERMONT, STATE OF† 2.70% Bonds
34,000,000	WASHINGTON, STATE OF† Var. Rates Rev. Bonds
4,625,000	WEST ALLIS, WIS.† Var. Rates Bonds
5,700,000	WEST HAVEN SCHOOL DIST. CONN.† 3½% Bonds
8,500,000	WHITE PLAINS SCHOOL DIST. N. Y.† 3½% Bonds
133,285,340	ADDITIONAL TAX-EXEMPT BONDS (108 issues)

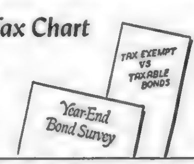
Amount of Issue	*Corporate*	Underwriting Interest
$25,000,000	BALTIMORE GAS AND ELECTRIC COMPANY First Ref. Mtge. Bonds, 4⅞% Series due 1980	$11,200,000
14,000,000	CENTRAL ILLINOIS LIGHT COMPANY First Mtge. Bonds, 4⅞% Series due 1990	3,700,000
25,000,000	CHESAPEAKE AND POTOMAC TELEPHONE COMPANY OF WEST VIRGINIA 40 Year 5% Debs. Due 2000	6,800,000
125,000,000	CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. First & Ref. Mtge. Bonds, 4¾% Series R due 1990. First & Ref. Mtge. Bonds, 5% Series S due 1990†	6,750,000 9,250,000
35,000,000	CONSUMERS POWER COMPANY First Mtge. Bonds, 4⅞% Series due 1990	7,000,000
25,000,000	DAYTON POWER AND LIGHT COMPANY First Mtge. Bonds, 5⅛% Series Due 1990	10,500,000
25,000,000	FLORIDA POWER CORPORATION First Mtge. Bonds, 4¾% Series due 1990	7,900,000
8,880,000	GREAT NORTHERN RAILWAY Equip. Trusts of 1960, 5% & 4⅞% Ctfs. Due 1960-75	4,230,000
50,000,000	ILLINOIS BELL TELEPHONE COMPANY First Mtge. 4⅞% Bonds, Series G Due 1997	13,650,000
7,755,000	ILLINOIS CENTRAL EQUIPMENT TRUSTS 3 Series, Var. Rates Ctfs. Due 1960-75	3,255,000
12,000,000	INDIANAPOLIS POWER & LIGHT COMPANY First Mtge. Bonds, 4⅝% Series, due 1990	5,650,000
10,000,000	LACLEDE GAS COMPANY First Mtge. Bonds, 4⅞% Series due 1985	1,500,000
7,755,000	LOUISVILLE AND NASHVILLE RAILROAD Equip. Trust, Series Z, 4⅛% Ctfs. Due 1962-76	2,055,000
35,000,000	MICHIGAN BELL TELEPHONE COMPANY 36 Year 4⅞% Debentures Due 1996	6,200,000
60,000,000	MIDWESTERN GAS TRANSMISSION COMPANY† First Mtge. Pipe Line Bonds, 5¾% Series due 1980	4,113,000
7,950,000	MISSOURI PACIFIC RAILROAD Equip. Trusts, Series N, 5% & 4¼% Ctfs. Due 1961-75	2,400,000
40,000,000	MOUNTAIN STATES TELEPHONE AND TELEGRAPH COMPANY 40 Year 5% Debentures, Due 2000	6,600,000
25,000,000	NATURAL GAS PIPELINE COMPANY OF AMERICA† First Mtge. Pipeline Bonds, 5% Series due 1980	2,062,000
15,000,000	NEW BRUNSWICK, PROVINCE OF (CANADA)† 5⅜% Twenty-Five Year Debentures, Due 1985	2,100,000
60,000,000	NEW YORK TELEPHONE COMPANY Refunding Mtge. 4⅝% Bonds, Series L, Due 1997	17,400,000
15,000,000	NORTHERN INDIANA PUBLIC SERVICE COMPANY First Mtge. Bonds, Series K, 4⅞%, Due 1990	3,150,000
35,000,000	NORTHERN STATES POWER COMPANY First Mtge. Bonds, Series due 1990, 5%	8,200,000
45,000,000	NORTHWESTERN BELL TELEPHONE COMPANY 38 Year 4⅞% Debentures, Due 1998	10,850,000
10,000,000	NOVA SCOTIA, PROVINCE OF (CANADA)† 5⅛% Twenty Year Debentures, Due 1980	2,600,000
60,000,000	PACIFIC GAS AND ELECTRIC COMPANY† First & Ref. Mtge. Bonds, Series FF, 4⅝% Due 1992	5,100,000
72,000,000	PACIFIC TELEPHONE AND TELEGRAPH COMPANY 33 Year 5⅛% Debentures, Due 1993	8,300,000
9,720,000	SEABOARD AIR LINE RAILROAD Equip. Trusts, Series T & U, 4⅜% & 4⅛% Ctfs. Due 1961-75	3,420,000
100,000,000	SOUTHWESTERN BELL TELEPHONE COMPANY 35 Year 4⅝% Debentures, Due 1995	23,600,000
25,000,000	TAMPA ELECTRIC COMPANY First Mtge. Bonds, 5% Series due 1990	4,850,000
12,000,000	TEXAS ELECTRIC SERVICE COMPANY 5¼% Sinking Fund Debentures Due 1985	2,500,000
60,000,000	UNITED GAS CORPORATION First Mtge. & Coll. Trust Bonds, 5% Series due 1980 & 5⅛% Sinking Fund Debentures due 1980	11,050,000
18,500,000	ADDITIONAL PUBLIC UTILITY BONDS (4 issues)	10,950,000
21,435,000	ADDITIONAL EQUIPMENT TRUST CERTIFICATES (5 issues)	9,885,000

Descriptive circulars or prospectuses, where available, and current quotations will be supplied for any of these securities upon request.

**To December 14, 1960 † Issue headed jointly by Halsey, Stuart & Co. Inc. and others. All other issues were headed by Halsey, Stuart & Co. Inc. alone. Not included in these compilations are issues in which Halsey, Stuart & Co. Inc. participated only as a member of an account.*

Send For Year-End Bond Survey and Helpful Tax Chart

Concise survey of 1960 bond market and outlook for 1961, and tax chart to help you determine the value of tax exemption in your income bracket. Write without obligation for folders KC-61



HALSEY, STUART & CO. INC.

123 S. LASALLE STREET, CHICAGO 90 • 35 WALL STREET, NEW YORK 5

AND OTHER PRINCIPAL CITIES

heard along main

Compiled by Marguerite Beck

About People

George Butterworth, Jr., from assistant vice-president to vice-president, Fidelity-Philadelphia (Pa.) Trust Company.

Dr. Earle L. Rauber, vice-president and director of research, Federal Reserve Bank of Atlanta, Ga., retires after 17 years with the bank.

Henry J. MacTavish, Chase Manhattan Bank (N.Y.) vice-president who has been in charge of corporate reorganization work as a loan review officer and who has served as the bank's comptroller, retires under bank's early retirement option to establish his own business as consultant in corporate financing and reorganizations.

Donald McInnes, president of the Canadian Bar Association and senior partner in McInnes, Cooper and Robertson, joins Bank of Nova Scotia as a director.

William A. Hoover, vice-president and treasurer, retires from First Pennsylvania Banking and Trust Company after 41 years with the bank.

E. E. Standley becomes vice-president-cashier, Pacific State Bank, Hawthorne, Calif.

Charles E. Fiero becomes vice-president, credit department, Chase Manhattan Bank, New York.

Robert V. Watterson, executive vice-president in Athens, Ga., for Citizens and Southern National Bank, becomes senior vice-president.

Camp Lee Reunion Joins Bankers and Soldiers

Not all old soldiers fade away. Some of them return to Fort Lee, Va., where the chairman of the Federal Deposit Insurance Corporation addressed more than 300 persons attending a combined World War I Camp Lee Reunion and Bankers Day program on what was designated to be "Jesse P. Wolcott Day." At least 40 men who had served at Camp Lee during World War I were present for the reunion, as were Federal, state, municipal, and county officials and officials of banks from all corners of the State of Virginia. Petersburg (Va.) Savings and American Trust Company co-hosted the event along with Major General Alfred B. Denniston, commanding general of the Quartermaster Training Command and Fort Lee. *Left to right* are Major General Denniston, R. F. Burke Steele, president, Petersburg Savings and American Trust, Mr. Wolcott, and U.S. Senator A. Willis Robertson

What's all the fuss and feathers about? It's something Walter A. Bimson, board chairman of Arizona's Valley National Bank can wear with a great deal of pride and dignity, for the tribal headdress and robes he's smiling in below were presented to him by Oklahoma's oil-wealthy Osage Tribal Council for his devoted friendship to the American Indians.

Walter Bimson

At colorful ceremonies, Mr. Bimson was officially adopted into the tribe, a high honor accorded only once or twice a decade, and then to such as U.S. Presidents, governors, and widely-known industrialists. He was presented with a scroll citing his activities "to advance the economic welfare and educational betterment of the American Indians," copies of which went to President Eisenhower, Secretary of the Interior Fred A. Seaton, and Commissioner of Indian Affairs, Glenn L. Emmons.

C. Frederick Potter, from vice-president, The Batavian National Bank of LaCrosse, Wis., to vice-president, Merchants National Bank and Trust Company of Fargo, N.Dak.

John F. Hodnett becomes assistant auditor, The Boardwalk National Bank, Atlantic City, N.J.

Louis J. Fortuna becomes vice-president, Fred E. deBray becomes assistant vice-president, Citizens and

street

of **BANKING's** *staff*

Southern National Bank, Atlanta, Ga.

Coral Gables (Fla.) attorney, ARTHUR LUNDEEN, becomes president, The Coral Gables First National Bank, succeeding STANLEY H. WOLFF, who becomes board chairman.

Security First National Bank, Los Angeles, Calif., announces three promotions to senior vice-presidency: THEODORE W. JOHNSON, FREDERICK G. LARKIN, JR., WILLIAM E. SIEGEL.

ARTHUR M. WELCH, JR., who has been vice-president of both Fountain City Bank of Knoxville, Tenn., and of Bank of Mulberry, joins Sarasota (Fla.) Bank and Trust Company as a vice-president.

Jackson (Miss.) Chamber of Commerce has named ROBERT M. HEARIN, president of First National Bank of Jackson, its president.

New Illinois Bank Joins Association

Left to right **appear Donald Carlson, president, Illinois Bankers Association; Richard T. Hank, cashier of The Northlake (Ill.) Bank; and Herbert Beck, president of the bank, on the occasion of this newly-organized bank's joining its state association. Northlake Bank is an A.B.A. member**

DWAIN G. LUCE, senior vice-president, resigns at American National Bank and Trust Company, Mobile, Ala., and MARION E. WARD, former vice-president, is promoted to his position.

ALOIS AUMANN, assistant cashier, Boatmen's National Bank of St. Louis, Mo., has been "loaned out," as were about 90 other volunteer executives who were assigned by their various firms for an 8-week period to assist in the United Fund campaign in St. Louis, Mo.

Ralph W. Stoddard

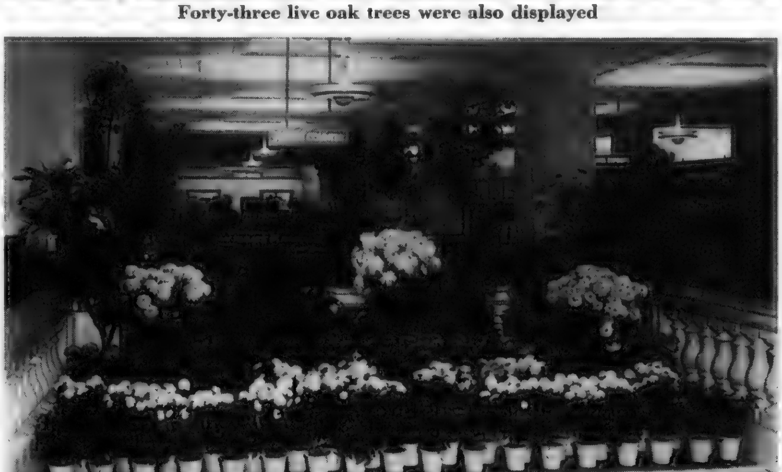
RALPH W. STODDARD, president, Bank of Buffalo, N.Y., has been named 1960-61 president of the Consumer Bankers Association. GEORGE E. ROGERS, president, First National Bank of Marion, Ind., is first vice-president; G. STEWART WEBB, assistant vice-president, Union Trust Company of Baltimore, Md., is second vice-president.

Former R. H. Macy & Co. expense controller and budget director, JACK L. SELKE, joins Central Industrial Bank of New York as a vice-president.

E. MARTIN LARSEN, from vice-president and trust officer, Central Bank and Trust Company, Denver, Colo., to vice-president and trust officer of The American Bank, Racine, Wis.

Mum's the Word at First of Chicago

Fifty thousand chrysanthemums displayed on the first and second floors of The First National Bank of Chicago attracted wide public interest. The flowers were placed on check-writing desks, at teller windows, and beside stairways as well as in the bank's usual exhibit areas. Free boutonnieres were available to all visitors. Forty-three live oak trees were also displayed



GEORGE A. NEWTON, managing partner in G. H. Walker & Co., St. Louis investment bankers, has been named 1960-61 president of the Investment Bankers Association of America.

George A. Newton

BANKERS of the nation have elected TAMRA EVANS, teller, First National Bank, San Rafael, Calif., Miss Drive-In Teller in a contest conducted by The Mosler Safe Company, New York. MISS EVANS won a vacation for two at Lantana Colony Club, Bermuda, with transportation by Eastern Air Lines.

Tamra Evans

EUGENE S. WILLIAMS, president, resigns from National Stock Yards National Bank, Ill., to join St. Louis (Mo.) County National Bank as a director and president. MR. WILLIAMS was a National Bank Examiner.

WALLACE M. WILSON, from second vice-president to vice-president, Continental Illinois National Bank and Trust Company of Chicago.

VERNON SCHWAEGERLE becomes executive vice-president, Financial Public Relations Association, succeeding PRESTON E. REED who retired at the association's recent 45th annual convention in Boston, Mass.; WILSON PARFITT becomes executive secretary.

The Grand Jurors Association of Bronx County, N.Y., honored its president, DONALD DARCY, vice-president and secretary of North Side Savings Bank, Bronx, with a testimonial dinner. MR. DARCY has also been named president of the Bronx Trade Council.

LLEWELLYN BROWN, senior vice-president, First National Bank, Jackson, Miss., has been named State Comptroller of Banks by Mississippi Governor Ross R. Barnett.

HARRY G. BALDWIN, president, Washington Mutual Savings Bank,
(CONTINUED ON PAGE 25)

Log Cabin Construction Causes Consternation

Donald Spears, head teller, Peoples Trust Company of Bergen County, N. J., Paramus office, really had a headache when Dr. Joseph A. DeGroodt, retired veterinarian of Mendham, N. J. brought in for deposit to his checking account this replica of a log cabin which he made during the winter of 1953.

It consists of 6,435 pennies, put together with soluble glue in order not to deface the coins.

Vi

H

Vice President and Cashier, reports:

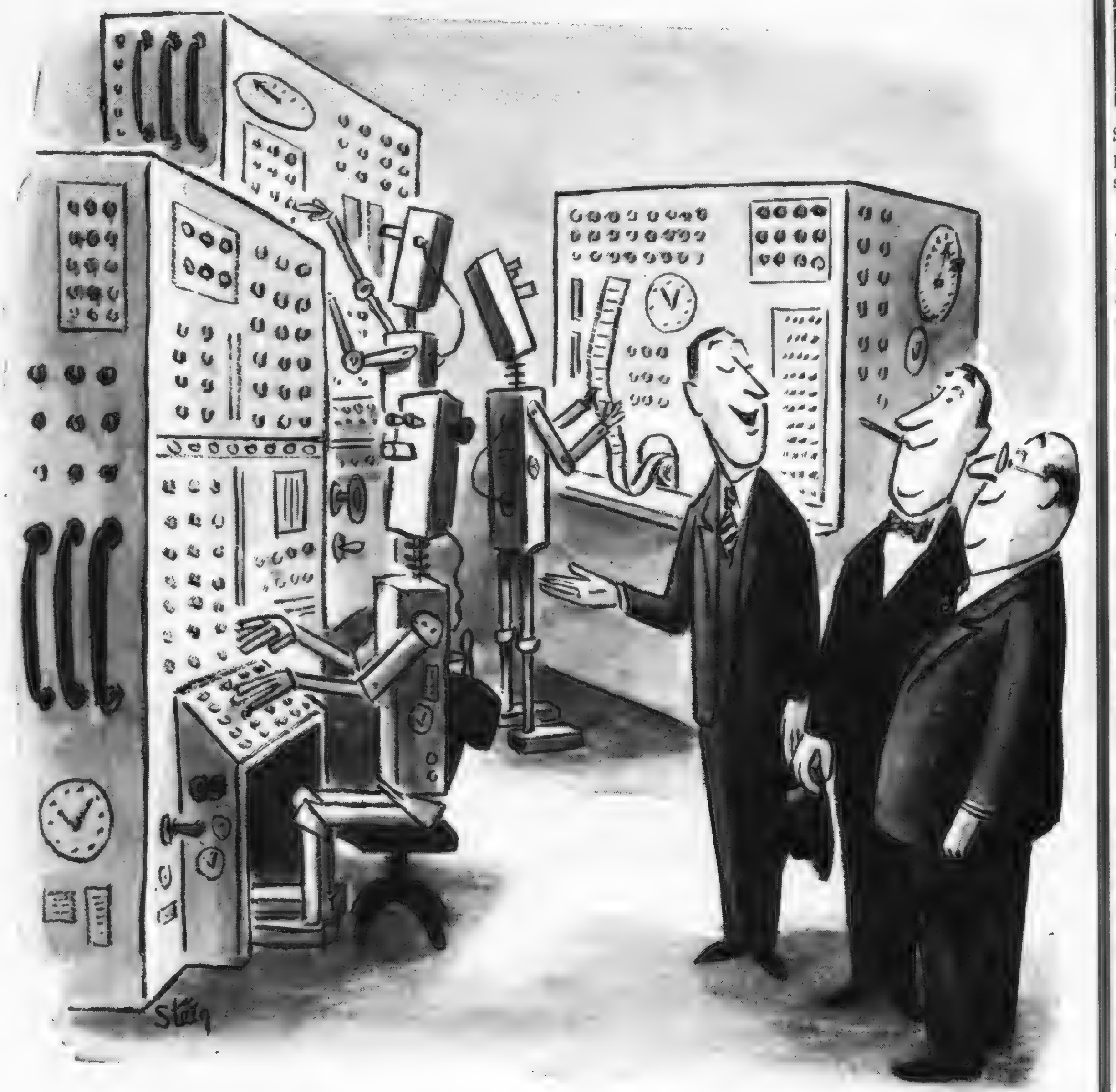
HEAVY POSTING LOADS WITH SAVINGS ALL ALONG THE LINE."

"Our next step will be total automation in its fastest, simplest, most convenient form — the Burroughs B251 Visible Record Computer System, now on order."

Burroughs and VRC—TM's

Burroughs Corporation

"NEW DIMENSIONS / in electronics and data processing systems"


Stein

(CONTINUED FROM PAGE 20)

Seattle, has been elected 1960-61 president, Mutual Savings Bank Association of the State of Washington.

YOUNG personnel director RONALD BISHOP has been appointed assistant cashier at Citizens Bank and Trust Company, Park Ridge, Ill., after one year with the bank. Citizens released the story of what they consider to be MR. BISHOP's phenomenal advancement to metropolitan and suburban newspapers in an effort to help build the image of bank job opportunity for potential banking recruits.

Ronald Bishop

THE Committee for Modern Courts, Inc., a voluntary, nonprofit organization formed to work toward reform of New York State's court system, announces its new chairman to be JOHN J. MCCLOY, recently retired Chase Manhattan Bank (N.Y.) board chairman. MR. MCCLOY had been U.S. High Commissioner for Germany and for two years was president of the World Bank. He is a Ford Foundation trustee.

Appointment of a new Washington representative has been announced by Bank of America, N.T. & S.A., Los Angeles. Attorney ROBERT LEIGH JAMES, who served with the U.S. Department of State from 1947 to 1950, will succeed SAMUEL C. BROWN in the post.

Illinois Bankers Association gives its first award for Statesmanship in Banking to FRANK A. ANGER, senior vice-president, Harris Trust and Savings Bank, Chicago, Ill., for "an outstanding record of good business citizenship."

JOHN W. FISKE, JR., ARTHUR B. GRIFFIN, JR., and JAMES F. O'DONNELL, all from assistant vice-president to vice-president, Bankers Trust Company, New York, N.Y.

GEORGE D. BEAN, W. KELLY SCOTT, both assistant cashiers, become assistant vice-presidents, National Bank of Commerce, Norfolk, Va.

WAYNE B. CREWELL from assistant vice-president to vice-president, Security First National Bank, Los Angeles, Calif.

Borden Company vice-president, ROY D. WOOSTER, joins board of Empire Trust Company, New York, N.Y. MR. WOOSTER is also a director of the National Dairy Council and a trustee of Colgate University.

JAMES M. WILLCOX becomes vice-president, Fidelity-Philadelphia (Pa.) Trust Company; ROBERT S. DAMERJIAN becomes an assistant treasurer.

ROBERT H. O'TOOLE, vice-president, Pullman Trust and Savings Bank, Chicago, Ill., becomes chairman of the South Holland Planning Commission. The commission's objectives are the orderly development of the rapidly growing residential areas and overall zoning within the village and adjacent area.

WILLIAM N. TERMYN leaves Irving Trust Company, New York, and joins Continental Illinois National Bank and Trust Company of Chicago, Ill.

State Association President—1960-61

ARIZONA: Lloyd A. Bimson, president, The Arizona Bank, Phoenix

About Banks

SOUTHERN NATIONAL BANK of Houston, Tex., holds formal opening, announces officers: Winston C. Baber, president; Palmer Bradley, chairman; A. Harrel Blackshear, vice-president; H. M. Crosswell, Jr., vice-president; Carl Detering, vice-president.

FIRST NATIONAL CITY BANK OF NEW YORK opens Frankfurt, Germany, branch.

WEST SIDE STATE BANK, Fort Worth, Tex., completes expansion, holds open house.

SECOND NATIONAL BANK OF NASHUA, N.H., holds open house to display completely renovated and redecorated interior.

Hawaiian Bank Displays Nose Cone

The first nose cone recovered in midair was displayed in the lobby of First National Bank of Hawaii, Honolulu. It was part of a rocket that circled the earth 17 times in outer space. Pictured are Capt. Harold D. Mitchell, pilot of the C-119 that caught the cone; Carl E. Hanson, president of the bank; and A2C Dan R. Hill, plane crewman. The lobby was open before and after banking hours to accommodate the crowds of viewers

PHILADELPHIA SAVING FUND SOCIETY moves, expands Cheltenham Shopping Center office.

KANAWHA VALLEY BANK OF CHARLESTON, W. Va., plans a $1,000,000 modernization of its 20-story building during 1961.

COMMONWEALTH TRUST COMPANY, Union City, N. J., announces merger into HUDSON COUNTY NATIONAL BANK, Jersey City, N. J.

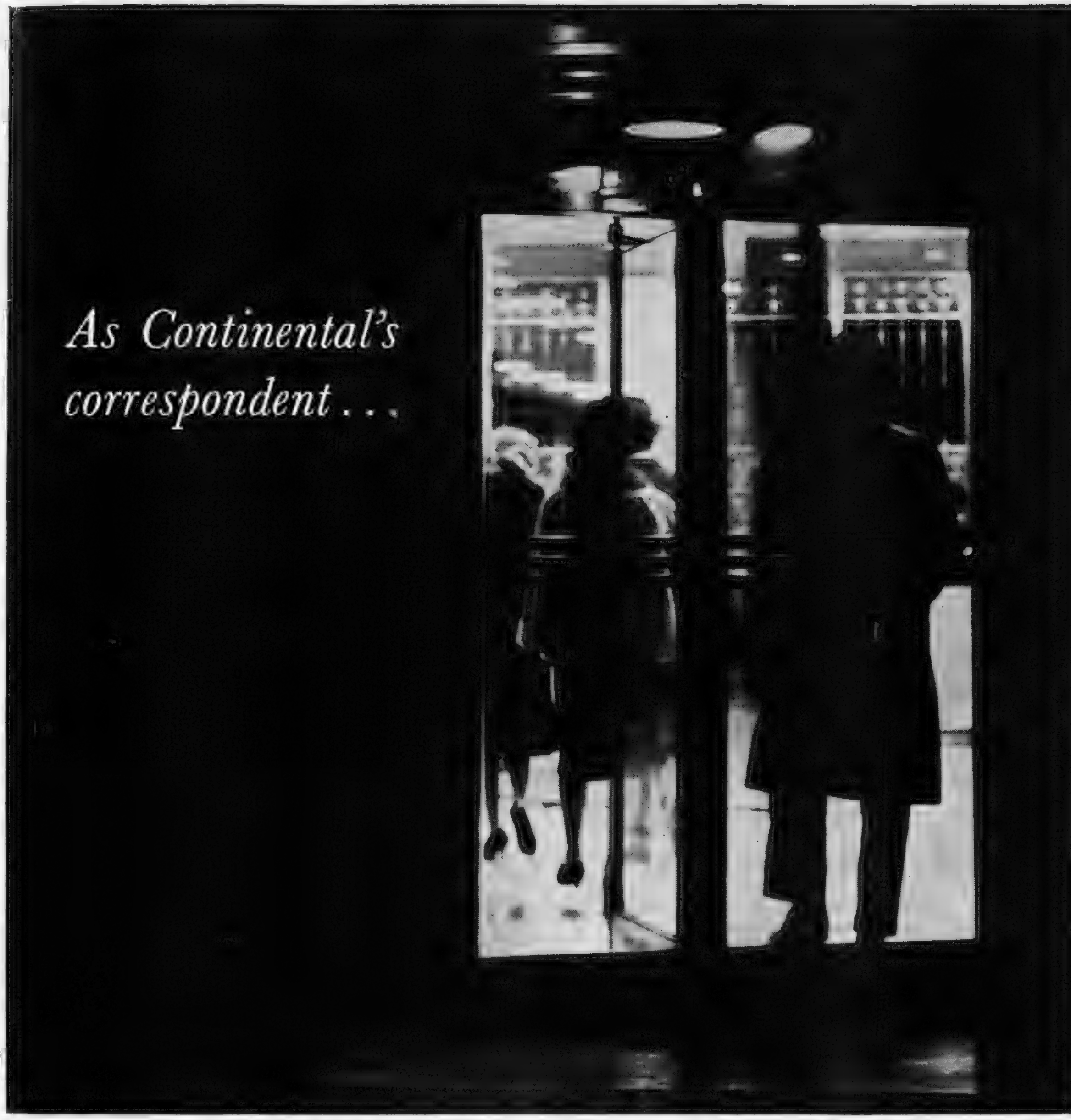
GEORGIA'S growing importance as a center of business and industry is bringing more and more executive personnel into that state, says Mills B. Lane, Jr., CITIZENS AND SOUTHERN NATIONAL BANK president. And, to welcome the executive families moving in, C&S is rolling out the red carpet. An executive transfer office, has been established in each of the 11 cities served by the bank, to give help to new residents in the following problems:

(1) Location of suitable living quarters through purchase or rental of a home or an apartment.
(2) Location of the better areas for home and business life.
(3) Information and aid on home mortgages.
(4) Aid in obtaining a loan for home purchase prior to sale of a home in a previous city of residence.
(5) Aid in getting a loan for moving expenses prior to reimbursement by an employer.
(6) Information on how to secure auto license tag, driver's license, tax information, registration, and voting requirements.
(7) Information on city and county schools, including location and entrance requirements.
(8) Information on local churches.
(9) Help with obtaining personal services, such as medical, dental, legal, insurance, banking, shopping, transportation, investment.
(10) Full information on the city's recreational facilities, such as golf, courses, swimming pools, clubs and organizations.

NEW bank, new officers in Casper, Wyo.; Security Bank and Trust Company announces WILLIAM NEFSY, president; DONALD K. HOGOBOOM, vice-president and cashier; DAN L. FERGUSON, assistant cashier.

COMMONWEALTH TRUST COMPANY, Jersey City, N.J., merges into HUDSON COUNTY NATIONAL BANK OF JERSEY CITY.

(CONTINUED ON PAGE 28)



you can add Chicago's most experienced night staff

...without adding to your payroll

Use Continental's Night Staff as your own. Our experience and capacity can make a great difference to you and your customers. Continental pioneered night staff operation in this city. Our staff now processes some 480,000 cash items in a single night—an average of 1,000 a minute! Many checks air-mailed to us in the afternoon are available funds by the next morning. Such speed is an invaluable advantage. We'll be happy to send you the details, or have one of our people visit with you. We're always at your service. STate 2-9000, Chicago.

CONTINENTAL ILLINOIS NATIONAL **BANK**

AND TRUST COMPANY OF CHICAGO

Lock Box H, Chicago 90

Member F.D.I.C.

(CONTINUED FROM PAGE 26)

COLES COUNTY NATIONAL BANK OF CHARLESTON, Ill., opens for business and announces new officers: George A. Edwards, president; Roy E. Robison, executive vice-president; Kaywin G. McClure, cashier.

HUDSON COUNTY NATIONAL BANK OF JERSEY CITY, N.J., and COMMONWEALTH TRUST COMPANY OF UNION CITY agree to consolidate under name and charter of HUDSON COUNTY NATIONAL BANK.

MERCHANTS AND FARMERS BANK OF STATESVILLE, N.C., announces merger with NORTH CAROLINA NATIONAL BANK, Charlotte.

MANUFACTURERS TRUST COMPANY, New York, opens a branch on Third Avenue, bringing its total to 119.

UNION COUNTY TRUST COMPANY opens Berkeley Heights, N.J., office.

NATIONAL BANK OF WESTCHESTER, White Plains, N.Y., and MOUNT KISCO NATIONAL BANK AND TRUST COMPANY, announce merger plans.

FIRST WESTERN BANK AND TRUST COMPANY announces plans for relocating Hayward Central office in San Francisco, Calif.

COOLIDGE BANK AND TRUST COMPANY, Watertown, Mass., gets charter.

ST. JOHN'S COMMUNITY BANK, St. Louis, Mo., completes its 5-year remodeling program.

BREVOORT SAVINGS BANK OF BROOKLYN opens new office in Canarsie section of Brooklyn.

FIRST PENNSYLVANIA BANKING AND TRUST COMPANY, Philadelphia, receives second place award in an annual national survey conducted by *Financial World* for its 1959 annual report.

GRAMATAN NATIONAL BANK AND TRUST COMPANY OF BRONXVILLE, N.Y., opens office in railway station.

CLEVELAND (Ohio) TRUST COMPANY announces ground-breaking for its 71st office.

What every Financial Institution should know about

GOLDEN CAR KEY PROMOTIONS

Golden Car Key Promotions,originated and developed by Elnar, Incorporated, are the most effective promotions ever devised for financial institutions.

Proven . . . powerful . . . dignified . . . dramatic . . . Golden Car Key Promotions have been used effectively to acquire new depositors, to promote drive-in banking services, to promote dividend days, to increase small loan and car financing activity,to mark special occasions, and in many other ways.

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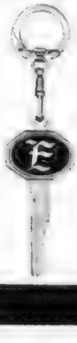

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BANKING

JANUARY 1961

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

JANUARY is the month of question marks, especially Januaries that bring in new Administrations.

However, on one matter there is near-unanimous agreement at this time: No force is in sight that will carry the economy either sharply up or steeply down.

In the maze of interlocking complexities th[illegible] make up our modern economy, questions are one thing, answers quite another. Today's questions a[illegible]e much like those that were being asked in Janua[illegible] of 1801 or 1861. Today's answers, however, would have stumped the businessmen of those eras. As our s[illegible] busi-ness information have vastly increased, [illegible] the difficulties of interpreting that informati[illegible]e, for example, the currently opposite views of 1961's automobile prospects, as stated by the Department of Commerce pessimistically and the auto manufacturers themselves in a more hopeful vein.

More Question Marks This Year

January 1961 has more than the normal [illegible] question marks.

Besides the obvious reasons is the rea[illegible]from the zoom-view of a year ago. This year's [illegible]ecasters are using more caution and less ebullie[illegible], which is always a healthy approach to a forw[illegible]d look. On the other hand, there seems to be no reas[illegible] for widespread hand-wringing.

To quote the latest survey of credi[illegible] expectations, made by the Credit Policy Commission of the American Bankers Association:

"Business for the first six mo[illegible]61 will be good, but not booming. Althoug[illegible] a marked tendency not to forecast any trend [illegible], bankers expect a downtrend at the beginning of the year, with an uptrend beginning in the spring or early in the second half of 1961.

"Conservative hopefulness is the tone of answers to the survey of banker opinion on the business and credit prospects for the first six months of 1961. The survey is a semi-annual study by the Credit Policy Committee of the American Bankers Association, chairman of which is Carl M. Flora, vice-president of the First Wisconsin National Bank of Milwaukee. . . .

"No emphatic change in credit demand is expected either up or down. The majority of the replies showed an expectation of little or no shift in commercial credit demands—including loans to sales finance companies, mortgage warehousing, term loans and others—by [illegible]rison with the present volume or that in the firs[illegible]nths of 1960. Principal exceptions to this are i[illegible] areas where local situations indicate a mor[illegible]nced trend, either up or down, than for the [illegible] a whole.

"The [illegible]licated that bankers regard the year 1961 as[illegible]lly significant one toward shaping the fut[illegible]of the economy. The current tapering of[illegible] activity from its former peak levels is no[illegible]ed as any prelude to a serious cyclical do[illegible]er, the outlook for business and credit [illegible]ate six months ahead is regarded with [illegible]timism. Admittedly there are some weak [illegible]t no over-all weakness. The anticipation of [illegible]r profits is frequently mentioned and there is rather a general feeling that unions may demand less and be more reasonable in future negotiations.'"

Some Questions of Our Own

Not to miss an annual opportunity, BANKING offers here some questions, followed by answers that may well prove correct in the future and are certainly thought-provoking in the present. (Some of these answers are taken from recent testimony before the Joint Economic Committee.)

What prospect does 1961 hold for employment?

"The beginning of next year we may . . . have somewhere more than 5,000,000 people unemployed and . . . our problem may also be not only the reemployment of some of those folks, if not all, but also of the growing labor force that is scheduled to come in 1961." (Deputy Assistant Secretary of Labor S. L. Wolfbein)

"There is little indication that the unemployment picture will improve over the next few months . . .

(CONTINUED ON PAGE 126)

Digest of the Business Outlook

CHAMBER OF COMMERCE Business Outlook Conference in December expressed guarded optimism concerning 1961 as a whole. By a show of hands, a clear majority of the board of directors subscribed to the view that '61 will be a better year.

EMERSON SCHMIDT, the Chamber's research chief, expects an economic sag in the first half; a rise during the second half. But, with labor force growing, unemployment will increase, especially in the first quarter.

AUTOS, the National Automobile Dealers Association estimated, will decline from 1960's 6,700,000 passenger car sales to 6,500,000 in '61. Greatest auto problem is precedent-shattering inventory of new cars: 971,000 in December, including 137,000 of 1960 carry-overs.

STEEL in '61 should equal or better '60, Irwin H. Such, editor of Steel, predicted. Steel consumers' inventories, down from nearly 20-mil. tons in April to about 10½-mil. December 31, may decline further. Metal-working industry expects '61 sales at all-time high—5% above '59; second half 3.3% above first.

STEEL PRICES will be hiked in '61. Wage costs are exceeding productivity gains. Industry has absorbed 30¢ an hour employment cost rise in '60; next October another 13¢ is scheduled. Industry is plagued by imports of wire, nails, reinforcing bars, pipe.

MILES COLEAN forecast construction will have its best year ever; up 5% in physical volume, after a 2% decline in '60. He expects private to rise 4%, government, 6%. A mild upturn in private residential, more in nonresidential. The only minus foreseen is in farm building.

HAROLD L. CHEADLE, A.B.A. deputy manager, foresees an early reversal of inventory decumulation, with increased business demand for funds. Mortgage funds should have little investment difficulty; investors will be more eager to lend. Consumer-durables buying may soon pick up.

LOANABLE FUNDS should be plentiful and interest rates may soften, Cheadle commented. But a return to generally and significantly lower rates seems not in the cards, unless a more serious recession develops.

OUTLOOK FOR INTEREST RATES was discussed some weeks ago by C. Richard Youngdahl of Aubrey G. Lanston & Co., Inc. On a reasonably hopeful business prognosis he saw little basis for bullishness on bonds. Rates might work somewhat lower, he said, but probable Treasury deficit financing by mid-1961 should offset any curtailment of private borrowing.

HIGHER INTEREST RATES by late 1961 should prevail, if business starts improving by mid-year.

POST-HOLIDAY'S EASING of money is normal, seasonal.

(CONTINUED ON PAGE 36)

The Conditio

TOTAL NET PUBLIC AND PRIVATE DEBT

Total net public and private debt at the close of 1960 is expected to be in the neighborhood of $890-billion, more than double its size in 1945. In the face of the current slowdown in business activity, reports from Government sources indicate there may be a considerable increase in Federal spending in the year ahead, hence, a greater than average growth in public debt.

PERCENT OF TOTAL NET DEBT OWED BY GROUPS

All forms of public and private debt have grown tremendously in absolute terms over the past 30 years. At the same time, changes in the relative composition of debt among various groups has occurred. Federal debt constituted 29% of total net debt in 1959, compared with 9% in 1929 and 62% at the close of World War II. With the exception of the Federal segment, only individual (nonfarm, noncorporate) debt shows a relative gain in 1959 over the pre-war year 1939. In the corporate sector, short-term debt has become absolutely and relatively greater than long-term debt, a reversal of the prewar situation.

TOTAL DEBT IN RELATIONSHIP TO GNP

One of the rough yardsticks of the relative significance of total debt to the over-all economy is the relationship of debt to gross national product—a measure of the economy's ability to handle its indebtedness. Compared with gross output, gross debt has shown no significant trend since 1929. The ratio of gross debt to GNP in 1959 was 2.05 (2-to-1) the same as it was in 1929. This compares with 3.4 in 1933, when both physical output and prices were at their lowest depression levels.

GROWTH OF TOTAL PUBLIC AND PRIVATE DEBT

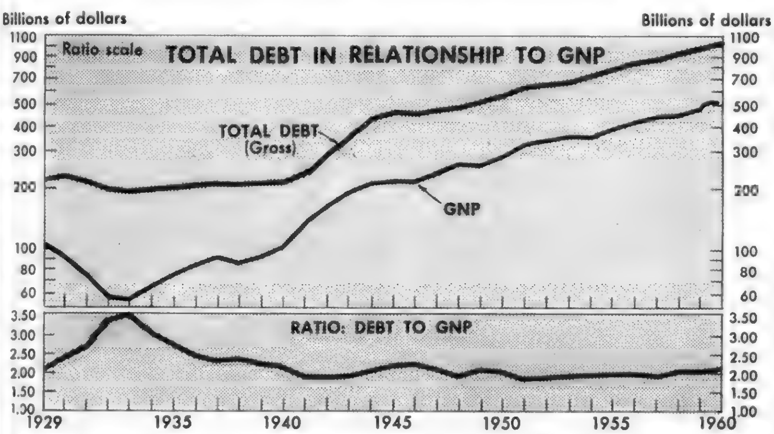
Are we debt-ridden? The average debt per family was $19,219 in 1959, as against $7,144 in 1930. Or stated differently, every U.S. individual currently owes $5,615 compared with $1,741 in 1930. The ratio of per capita debt to per capita GNP, except for the depression period, has remained about 2.0. While this would indicate that indebtedness has not changed significantly in recent years, sweeping conclusions are not warranted. More important than the size of our debt is its composition and quality, which can change rapidly as a result of general economic conditions. In the 1939-48 decade, for example, inflation was attributed to the rapid rise of one kind of debt—public debt. Major shifts or deterioration in the quality of any segment of debt must be watched carefully. Both flexibility and balance are necessary for sound economic growth.

# of Money and Credit

TOTAL NET PUBLIC AND PRIVATE DEBT

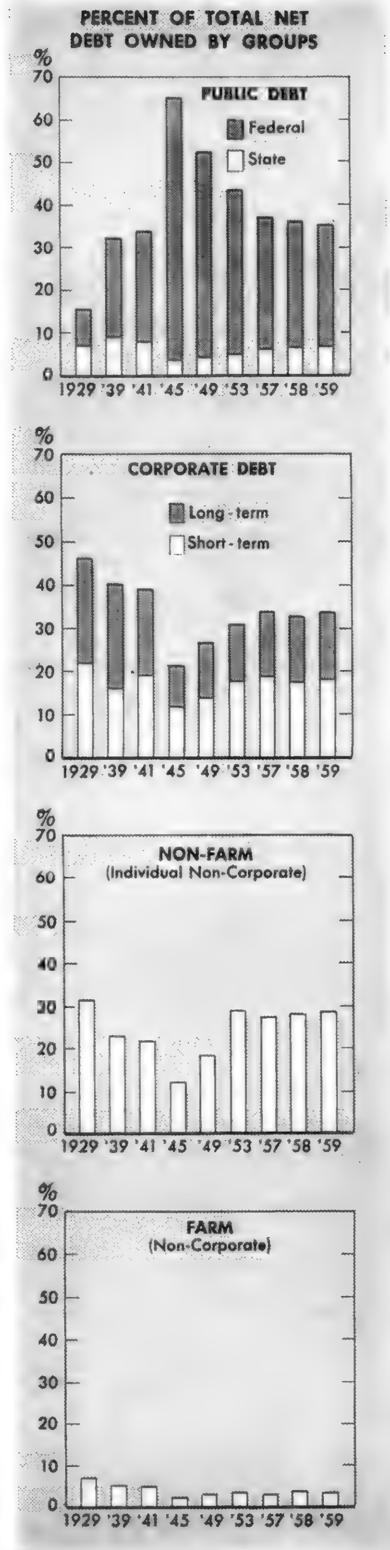
(billions of $)

	1929	1939	1941	1945	1953	1957	1958	1959	1960 (est.)
Public and private total	190.9	183.2	211.6	406.3	586.5	739.4	779.8	846.4	888.4
Public	29.7	58.9	72.6	266.4	256.7	271.1	283.6	298.8	305.8
Federal	16.5	42.6	56.3	252.7	228.1	224.4	232.7	243 2	NA
State	13.2	16.3	16.3	13.7	28.6	46.7	50.9	55.6	NA
Private	161.2	124.3	139.0	139.9	329.8	468.2	496.1	547.5	582.6
Corporate	88.9	73.5	83.4	85.3	179.5	246.7	255.7	281.7	298.8
Long-term	47.3	44.4	43.6	38.3	78.3	112.2	121.6	129.9	NA
Short-term	41.6	29.2	39.8	47.0	101.2	134.6	134.1	151.7	NA
Individual and noncorporate	72.3	50.8	55.6	54.7	150.5	221.5	240.5	265.8	283.8
Farm	12.2	8.8	9.3	7.3	16.9	20.3	23.4	23.8	NA
Nonfarm	60.1	42.0	46.3	47.4	133.6	201.2	217.1	242.0	NA



GROWTH OF TOTAL PUBLIC AND PRIVATE DEBT

	Gross public & private debt (billions)	Average debt per family	Debt per capita	GNP (billions)	GNP per capita	Ratio gross per capita debt to per capita GNP
1930	$214.3	$ 7,144	$1,741	$ 91.1	$ 740	2.35
1935	200.3	6,277	1,573	72.5	570	2.76
1940	215.8	6,175	1,640	100.6	765	2.14
1945	463.3	12,353	3,327	213.6	1,534	2.17
1950	566.4	13,004	3,762	284.6	1,890	1.99
1955	786.4	16,456	4,796	397.5	2,424	1.98
1956	831.1	17,035	4,982	419.2	2,513	1.98
1957	869.1	17,542	5,118	442.8	2,608	1.96
1958	913.1	18,116	5,286	442.2	2,560	2.06
1959	986.0	19,219	5,615	482.1	2,746	2.04



(CONTINUED FROM PAGE 34)

But, with business slow, Fed may lend a stimulating hand, keeping bank reserves ample. The Fed, however, must keep in mind the balance-of-payments deficit. Too great an interest-rate differential tends to encourage hot money movement to Europe. The dollar's international standing has become a restricting factor in Fed money management.

BUDGET IN TRANSITION. Congressional appropriations committees start acting on the Eisenhower budget right away. Later the new President sends to the Speaker any changes recommended by the Budget Bureau. Might be done piecemeal, as Eisenhower did it in 1953; or in one big package, a "new budget."

General Indicators

GNP. Fourth quarter data probably won't show much decline, with all governments spending more. Consumer spending for services also up. These pluses probably offset largely by inventory liquidation.

PERSONAL INCOME will probably experience some further decline in the wage and salary segment; affected by level of employment, hours and wage rates. Only partly offset by rising payments to unemployed. Sharp rise in interest income is attributed to public buying of Government securities in 1960.

INDUSTRIAL PRODUCTION has been hurt by steel decline. In manufacturing, new orders this fall lagged behind current sales. Rise in unemployment means less production. As inventories in 1960 were cut back faster than in 1957, industrial production will benefit when the turn-around comes.

FEDERAL GOVERNMENT SPENDING may have increased in last months of '60 by $1B (annual rate), state and local by slightly more, mainly because of higher wages and salaries and greater construction expenditures. The FY '61 budget implies a pick-up in Federal spending by June 30, and the trend probably will be stepped up.

WITH BUSINESS PROFITS SQUEEZED, Federal revenues this spring will be hurt. Big-company reports for third quarter '60 suggest sizable curtailment. Bad December results could stimulate drive for emergency housing program.

CORPORATE SPENDING for plant and equipment is no longer rising. The best to be expected for early '61 is no diminution.

CONSUMER SPENDING for other than services presents a mixed picture. Non-durables seem not to be going anywhere; may rise a bit. Not much change beyond seasonal indicated. Autos have been going well, especially compacts. But other durables have lagged. Over-all, consumer spending is in good volume at year-end.

ECONOMY IS IN A SAUCER, not a trough, most economists think. But we cannot be sure. "I don't see what's going to pull us out, or when," one Washington analyst says. "Past postwar experience is not necessarily the guide. The business cycle is a real thing. We've been in the saucer since May."

Disturbing is the fact that unemployment is worse than in recent recessions. We entered the saucer last spring with unemployment rate of 5% (adj.); in the spring of 1957 it was only 4%.

Prices

CONSUMER. Moved up moderately in recent months, with some divergent trends. Increases reflect long-term trend of services; also the fall rise in foods, unusual, as foods usually decline in the fall. The spring pig "crop" was extremely small, reflected in prices now; while eggs reflect cutback in chicken flocks.

Services will continue rising; auto prices should drift lower as 1961 advances. The over-all consumer price index should be rather steady or slightly up.

WHOLESALE prices have been very steady for about 2½ years. No reason to expect industrial prices to rise in the near future (but cf. STEEL above). Nor is much decrease to be expected.

General Categories

EMPLOYMENT probably will decline further, the Government expects. Unemployment claims have been rising sharply in recent weeks. No sign of a winter turn-around.

CONSTRUCTION. Commerce Department estimates 4% rise in 1961 to a record $57.3B, surpassing 1959's $56.2B and 1960's estimated $55.1B. In physical volume 1961 will be second highest year. Commerce estimates public buildings will be up 5%; private, 3%. (Cf. COLEAN, above.) The Commerce estimate assumes GNP unchanged from 1960 rate.

AGRICULTURE. Marketings and net income in 1961 will be about the same as in 1960.

CHEMICALS sales probably will continue to grow and should do 3-5% better in '61, the industry expects, forseeing no major recession. Per capita consumption of chemicals is increasing. And population is expanding.

Growth of chemicals since 1940 has been amazing. And in last 150 years per capita sales have grown 150-fold.

ELECTRONICS. Hi-fi equipment business gets a big boost from FCC's approval of standards for stereo sound. Decision has been long awaited.

TRANSPORTATION. Railroads see no great pick-up in '61. Labor costs rise 2% on March 1. With no traffic increase in sight, means more belt-tightening, lower earnings. 1960 earnings were lowest since '49.

All types of air transport traffic hit new peaks in '60. Revenue ton-miles up 7½%. But domestic truck lines' est. net profit at $4,000,000 was lowest since '49. Rate of return on capital was 3.4%, but profit margin was only about ½%. Conversion to jets is costly.

ALUMINUM depends mainly on general business conditions. The industry is at 80% of capacity, which has been expanded. Aluminum industry expects to do better in '61 as customers' inventories have been reduced. New uses expanding: e.g., auto engines, bumpers.

PAPERBOARD sales and unfilled orders have been below year-ago levels.

FOOD sales move with GNP much less than other products; rise with population growth. Long-term shift here away from bread & potatoes to fruits & vegetables. More changes ahead, new food combinations, new sizes and kinds of packages.

Washington

What Congress Faces: Tax Equalization; the Gold Crisis; Campaign Promises; and Federally Chartered Mutuals

THOMAS W. MILES

THE MAJOR legislative effort of the American Bankers Association in this 87th Congress, assembling January 3 in Washington, will be a revised and adjusted proposal for more uniform tax treatment of commercial banks, savings and loan associations, and mutual savings banks.

In anticipation of future legislative action on new tax equality bills that will be introduced, five different groups of bankers have held joint meetings to re-evaluate last year's bills and to restate their unanimous agreement on basic principles.

The following basic principles were agreed upon by the American Bankers Association, Association of Reserve City Bankers, Bankers Committee for Tax Equality, Independent Bankers Association, and the Roth Committee:

(1) In order to equalize Federal income tax responsibility between competing financial institutions, the 12% bad debt reserve formula contained in the present Revenue Act for savings and loan associations and mutual savings banks should be repealed, making such institutions subject to the same method of determining their bad debt reserves as other financial institutions.

(2) Earnings of savings and loan associations and mutual savings banks should be subjected to the payment of Federal income taxes in such a manner that such institutions cannot escape fair taxation.

When Congress reconvenes, bills will be introduced embracing these two basic principles, and the unified coordinated action program by the above-listed groups will be continued with ever-increasing emphasis.

Bankers and all others interested in the welfare of financial institutions have been urged to contact their Senators and Representatives calling attention to the existing inequitable tax favoritism extended to savings and loan associations and mutual savings banks. It was suggested that bankers specifically ask their Congressional representatives to support legislation giving effect to these two basic principles.

The Chances

What are the chances of a fair solution to this problem in this first session or, at least, the second session? There is no easy answer in a legislative issue as politically complex as this. It is not simply what is fair or unfair. As in any fight in a legislative body, political pressures are involved and the merits of an issue are inextricably bound up with the politics of it. Hence the prodding by the A.B.A.'s Washington office for bankers to take their case personally to their own Congressmen.

This much can be said: Congress is well aware of the issue. No less than Chairman Wilbur D. Mills of the House Ways and Means Committee recognized the considerable amount of attention being focused on the tax problem as a direct result of the allegation of competing banking interests that the phenomenal growth of the savings and loan industry was achieved as a result of tax subsidization. He talked about it this fall to the Savings and Loan League in his home state of Arkansas.

He cited, in part, ". . . the growing insistence for equalization of tax treatment among the various segments of the banking industry."

For Mr. Mills to talk of the problem in these terms is significant. It means that the political climate is approaching precipitation.

Mr. Mills analyzed the problem at some length for his constituents. He could see little attraction in placing any arbitrary limitation on the interest and dividend deduction that should be allowed to savings and loan associations and other mutual thrift institutions. He added: "Certainly it should not be done through the device of a tax provision."

On the other hand, he did think that Congress might give more consideration to the present limitation on the tax deduction allowable for additions that savings and loan associations make to their bad debt reserves. Mr. Mills did not take a position on bad debt reserves; indeed, he said his mind is not made up on the problem. But it was evident from his talk that it is in this area that a start might at least be made. This is borne out by the warning that he sounded near the end of his talk. He said:

"I have many times gone on record

Eliza

THE INDIANAPOLIS NEWS

for the proposition that our tax system should in no case provide any taxpayer or group of taxpayers with a competitive advantage over others similarly situated. This is basic fairness.

"I believe, therefore, that you should begin to think in terms of either justifying the bad debt reserve provisions that are applicable to you under present law or of suggesting those changes to present law that you feel would make it apply more equitably."

Gold in the Fiscal Picture

The international gold crisis, regardless of the many opinions about its cause and cure, is the new and paramount factor complicating the Federal fiscal situation. It may well be a moderating one, too. It is seen as a reaction of the world marketplace to some of the fiscal and monetary proposals advanced during the political campaign. The gravity and delicacy of the problem is sobering.

Representative Wright Patman (D., Tex.) had something to say about it when he was invited to address the National and State Bank divisions of the A.B.A. here in the Mayflower Hotel. His appearance as the feature guest at a bankers' meeting brought out an imposing audience of key fiscal and monetary officials from Treasury and the bank supervisory agencies, including Chairman William McChesney Martin of the Federal Reserve Board and Under Secretary Julian Baird of Treasury.

Mr. Patman took off on the gold crisis. He picked up the idea that Chairman Alexander of Morgan Guaranty Trust Company, New York, voiced only a week earlier that Federal law be amended to do away with any requirement that the Government store quantities of gold in fixed proportion to the Federal Reserve's currency and deposit liabilities. He was sure that the proposal would be considered in Congress and he declared his support for it.

To go all the way for a managed currency is not a new idea, certainly, and it has substantial support, but there are reservations in important places here against doing it now.

Largely because of the gold situation the talk about big new Federal spending programs seems to have died down. It is to be expected that President-elect John F. Kennedy will push for the four programs that the Democratic Party failed to get in the post-convention session of the last Congress. These were: aid to economically distressed areas; an increase in the minimum wage rate from $1 to $1.25 an hour together with an extension of coverage; Federal aid to education; and medical care for the aged.

A Campaign Promise

Mr. Kennedy has a task force, headed by Senator Paul Douglas (D., Ill.), in distressed areas studying the problem first-hand. This is a measure that was passed by the last two Congresses and vetoed by the President. There will not be any veto this time, but the bill is expected to be much more carefully written for the relief of really distressed areas, not some of the fringe areas that made the last two bills so vulnerable.

Senator Douglas has been so busy with the distressed areas hearings that he has said nothing about the interest disclosure bill which became so controversial in the last Congress. He has it in mind, however, because he participated only recently in a conference on the subject in Hull House in Chicago. And during his campaign for re-election he made much of the proposal. This is a measure that Mr. Douglas can bring out at his convenience, probably a little later in the session. It is understood that he does not expect to do more than create discussion this first session and push for enactment in the second. Such a measure is pledged in the Democratic platform.

The likelihood for much specific legislation for banks seems remote. The important bills that banks wanted, such as bank merger regulation, reserve requirements ("vault cash"), the technical amendments, and the Federal Deposit Insurance Corporation assessment revision were passed in the last Congress.

Federally Chartered Mutuals

It is expected that a federally chartered mutual savings bank system will be sought. The proposal that the National Association of Mutual Savings Banks made toward the close of the 86th Congress has been modified somewhat. In view of that and the liaison work it involves, the as-

sociation is not sure when its bill will be introduced. It will probably be after the Congress gets fully organized in February.

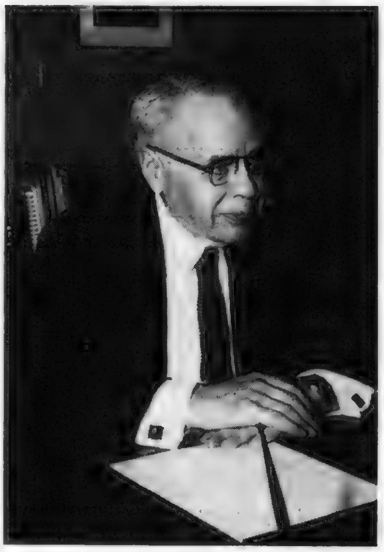
The A.B.A. is strongly opposed to the idea of a federally chartered mutual savings bank system. So, too, is the Federal Home Loan Bank Board. But the Veterans Administration is reported to be receptive.

In a letter to Senator A. Willis Robertson, chairman of the Senate Banking and Currency Committee, Chairman Albert J. Robertson of the FHLBB declared:

"Enactment of the present bill, with its broad provisions for conversion of Federal and state-chartered savings and loan associations into institutions not having to the same extent the predominant purpose of the financing of homes, might tend to defeat in large measure the objective of the Congress and of the various state legislatures in providing for these mutual thrift and home financing institutions.

"In view of the strong demand for mortgage funds during the postwar period and the general demand still existing for home mortgage funds, and the reliance on savings and loan associations to supply a major part of these funds, it would not appear appropriate to permit at this time any dimunition of the emphasis on home financing for which these institutions are chartered.

"For these reasons, after study of the bill and its implications, the Board respectfully recommends against the enactment of the proposed legislation."



FDIC Chairmanship

Jesse P. Wolcott, *left*, chairman of the Board of Directors of the Federal Deposit Insurance Corporation, has issued a statement concerning his future course of action. In recent weeks there have been many conflicting reports circulated concerning his continuing relationship with the FDIC.

Mr. Wolcott, a Republican, announced that he will relinquish his position as chairman of the FDIC and, at the same time, will move that Erle Cocke, *below*, be elected chairman of the Board. Mr. Cocke is the appointed Democratic member. Mr. Wolcott will continue to serve as a director.

This proposed action has been discussed with the third member of the Board, Comptroller of the Currency Ray M. Gidney, *below left*. Mr. Gidney was reported to be in full accord with this proposed action.

The State and National Bank divisions were well represented at their recent joint meeting in Washington. Officials of the two groups flank the Division presidents who are seated at the head of the table: Roland L. Adams, *left*, president of the Bank of York (Ala.); and Ben H. Wooten, board chairman of the First National Bank in Dallas (Tex.)

The Outlook for INTEREST RATES in 1961

By the end of the spring of 1961, assuming that a general business recovery gets under way, interest rates should begin to edge upward again, depending upon the vigor of the recovery and the determination with which the monetary authorities move to restrain credit availability. My guess would be that interest rates will decline moderately into the spring of 1961 and during the second half of the year will turn up gradually to recover the ground lost during the downturn.

JAMES J. O'LEARY

DR. O'LEARY *is director of economic research, Life Insurance Association of America. His observations on 1961 interest rates were part of a report given by him at the 1960 Commercial Bank Management Program, conducted by the Columbia University Graduate School of Business at Arden House.*

IN assessing the outlook for interest rates in 1961, the question, as always, is the prospect for general business activity. By and large, what happens to business as a whole will govern the relationship between demand and supply conditions in the capital markets and will thus determine interest rates. Moreover, the trend of general business activity in 1961 will exert a decisive influence on fiscal, monetary, and other Federal policies which affect interest rates.

Nineteen-sixty has been a baffling year for analysts of general business activity. During much of the year the general level of business activity has moved along on a record-high plateau, but there have been persistent signs of slack in the economy. The tendency for general business activity to soften somewhat is becoming more evident.

Although the pause in the advance of general business activity this year has thus far been quite modest, it is hard to escape the conclusion that the softening process will continue into the first quarter of 1961 and possibly somewhat longer. It is difficult to see any powerful sources of strength on the horizon at this time which would give the economy a new upward thrust. The rate of plant and equipment spending by business and industry now seems to be topping out and facing some decline. In earlier business cycles, when this occurred the country usually experienced a sharp upturn in residential construction as mortgage financing became easier to obtain. At this time, however, there are signs that increased availability of mortgage credit will not act with the usual speed to stimulate a sharp rise in residential construction. These signs are the inventories of unsold houses in some areas of the country and the moderate rise in vacancy rates for apartments (7.6% in September). On the other hand, in a more favorable vein, general business activity should receive some stimulus from rising Federal spending, and the reduction in business inventories has probably run a good part of its course. The 2% increase in retail sales in October to a 4-month high is encouraging in this connection, as well as the most recent consumer survey by the National Industrial Conference Board, which shows a decided pickup in consumer spending plans.

The pattern of general business activity which probably lies ahead of us is a further moderate softening through the spring of 1961 before a new rise in economic activity gets under way. The recovery will probably be sparked by a rising rate of housing starts next spring in response to more readily available mortgage credit, as well as by an expansion of Government spending, well sustained consumer spending, and some rebuilding of business inventories.

Slight Downward Pressure?

What does the general business outlook suggest about the trend of long-term interest rates in 1961? It suggests that during the next several months, through the spring of 1961, the demand for long-term capital funds may be moderately lower and that interest rates may tend to move a little lower, especially the rates on Federal, state, and local bonds, as well as those on publicly offered corporate bonds. However, as witnessed by the large corporate bond calendar at present, as well as the record amount of municipal bond issues approved by voters, the over-all demands for capital funds seem like-

ly to remain high, so that any downward pressure on rates from reduced demand should not be great. It seems likely, moreover, that with an increase in the rate of saving in mortgage lending institutions, interest rates on residential mortgages may move somewhat lower through the spring of next year, although the increased ease in residential mortgage lending may occur primarily in other terms than interest rate, e.g., easier downpayment and amortization terms.

If the trend of general business activity follows the pattern suggested here, we are likely to see additional steps by the Federal Reserve authorities to ease the availability of credit. Certainly a further reduction in the discount rate would be a strong possibility, as well as an easier reserve position for the banking system. However, the monetary authorities will continue to be required to pay attention to the consequences of their actions with respect to our international balance of payments position and the outflow of gold, as well as with regard to avoiding the creation of excessive liquidity in the economy, which would delay the effectiveness of monetary policy measures in the next expansion phase of the business cycle.

Open Market Policy

One of the most intriguing questions is whether the recent departures of the Federal Reserve authorities from confining their open market operations to Treasury bills

COMMERCIAL BANK LOAN POLICY PANEL

A panel of bankers at Arden House discusses loan policies of commercial banks. *Left to right* are John F. Mannion, senior vice-president, Continental Illinois National Bank & Trust Company, Chicago; panel chairman William G. F. Price, vice-president, The Chase Manhattan Bank, New York, and adjunct associate professor of banking, Columbia University; John Fox, senior vice-president, Mercantile Trust Company, St. Louis; and Harold F. Still, vice-president, Central-Penn National Bank of Philadelphia

will spread into longer-term Government securities in the next few months. To the extent that the new Administration has its wishes, the Federal Reserve would conduct its open market operations throughout the entire maturity range of Government securities and aggressively seek to force down long-term interest rates. The principle of "bills only," or "bills preferably," seems so strongly accepted by the Federal Reserve that it is difficult to envision conditions which would persuade the authorities to depart radically from it by extending their open market purchases regularly into long-term Government securities. However, to the extent that the monetary authorities, in their effort to ease credit in the next several months, conduct their open market operations in longer-term Government bonds, they will certainly act to accentuate any tendency for long-term interest rates to ease as a result of market forces.

By the end of the spring of 1961, assuming that a general business recovery gets under way, interest rates

(CONTINUED ON PAGE 112)

The Impending Squeeze on Bank Earnings

THIS year [1960] bank earnings will be at record levels in total dollars and will even look comparatively good as a percentage return on capital funds. However, when you analyze this showing, you realize that it is the result of an unusual combination of favorable factors, a combination which cannot endure.

Four variables control the profitability of your bank: the level of interest rates, the composition of your assets, the level of your operating expenses, and your capital position. All of these variables except one—operating expenses—have been working strongly in your favor over the past 15 years. The future, however, may be very different indeed.

In projecting your earnings for the next five years, you certainly cannot expect, to say the least, that the level of interest rates will rise as rapidly as it has over the past 15 years. As for the composition of your assets, if your bank is at all typical, you cannot continue shifting from low yield assets into higher yielding assets, notably loans, at the same pace you have been doing. Similarly, bank capital ratios have declined substantially, and this trend, too, cannot continue indefinitely. On the other hand, despite automation, your operating expenses will continue to rise.

This indicates an impending squeeze on bank earnings. From an earnings standpoint, banks are approaching the end of an era. Over the years ahead, many banks will face difficult earnings problems. I do not mean to imply that these problems cannot be solved. They can be, of course, but this is going to take some doing.—E. SHERMAN ADAMS, *vice-president, The First National City Bank of New York, speaking at the Commercial Banking Management Program of the Graduate School of Business, Columbia University, held at Arden House. Dr. Adams was formerly a deputy manager of the American Bankers Association, in charge of the Department of Economics and Research.*

Gold bars, earmarked for foreign account, at a vault door in the Federal Reserve Bank of New York

THE DOLLAR: A Problem of Balance

HERBERT BRATTER

LATE in 1959 Roy Reierson of the Bankers Trust Company proposed that the 25% reserve ratio applying to Federal Reserve notes and deposits be reduced if not eliminated altogether. A year later the idea was given another whirl by Chairman Henry C. Alexander of the Morgan Guaranty Trust Company, along with some other suggestions for meeting our balance of international payments problem.

While the reserve ratio can be suspended and there have been occasions —the last time in 1933—when it has been suspended, the continuing diminution of our gold stock as a result of this country's persistent balance of payments deficit is one of not merely academic interest to bankers and businessmen. It may affect the Fed's management of money and credit.

Mr. Alexander, it should be noted, does not propose a reserve ratio change immediately, but would wait until we can see more clearly the results of policies recently initiated.

As a result of our international economic and financial transactions, private and governmental, foreign countries and their nationals have been able to build up their reserves of gold and dollars, while our own gold stock has been shrinking. Foreign short-term dollar assets, including bank balances, securities and the like, are said to represent a claim on our remaining gold stock. Theoretically, all such foreign-owned assets could be freely converted into gold under existing U.S. policy. Such balances now are several billion dollars greater than our total gold stock, which in part doubles in duty as reserve against Federal Reserve obligations. But the latter, of course, are not domestically convertible into gold, a fact which leads some to conclude that the domestic reserve requirements are dispensable.

Changes in our gold stock and in foreigners' liquid dollar assets since 1949 are shown in an accompanying table. Another table, "Balance of Payments Results: 1949-1960," shows the balance of payments deficit as measured by the net effect of changes in gold and dollar assets. It will be seen that the payments accounts have been adverse to the U.S. almost continuously since 1949. The small favorable balance in 1957 was due to the extraordinary demand for U.S. goods during the Suez war. The big unfavorable balance in 1950 arose from Korea. During the past three years the deficit has been pronounced.

At a time when we have seen the largest daily gold loss since 1931 and when our gold stock is back to the level of early 1940, the proposal to eliminate the gold ratio has attracted much public attention. It should be noted, however, that changing the reserve ratio or eliminating it would in no way improve our balance of payments situation. Our losses of gold have been the result of the ad-

A General Motors plant in Bienne, Switzerland. U.S. companies have investments of $30-billion abroad, 2.5 times the amount 10 years ago

We Have Company in Our Balance-of-Payments Problem

WE are not the only country with balance of payments problems.

In Canada, efforts are being made to lift the export total. Recently the government gathered together businessmen from every major industry for a briefing by trade commissioners brought home for the purpose from their foreign posts. Her exports have been dwindling, although they have been above totals for a year earlier. The first seven months of 1960 showed an unfavorable balance.

In Britain, where there is a continuing trade deficit, despite growing gold and currency reserves, a group of officials have organized an "Export Council for Europe" to promote British-made goods on the Continent. Members include not only government officials but representatives of appliance, chemical, auto and machine tool industries. Britain is also planning a large trade show in Moscow in May, which is expected to be three times the size of the U. S. Moscow fair of 1959.

Australia is trying to increase its foreign reserves by lessening imports through taxes, as well as limits on bank loans to importers.

India is suffering from lowered prices for the raw materials she sends to world markets.

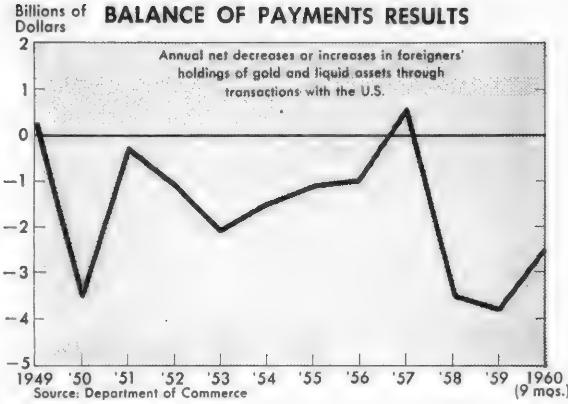
Paraguay is in the same predicament and has placed a 6-month ban on auto imports.

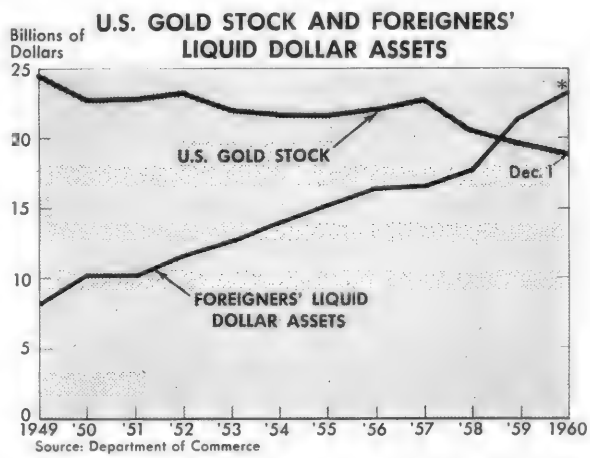
Colombia is embarrassed by low coffee prices.

Brazil is having foreign trade difficulties.

The racial upheaval in the Union of South Africa has affected that country's foreign trade.

There are others, notably Ireland, Ceylon, Denmark, and Turkey, according to a *Wall Street Journal* dispatch.





NOTE: The Commerce Department counts among foreigners' liquid dollar assets foreign-held U.S. Treasury bonds and notes, most of which are of short maturity.

*Includes $2.1-billion of U.S. bonds and notes held Sept. 30, 1960, and $21.2-billion of other short-term dollar assets held on that date.

verse balance of payments, not a cause. Under today's conditions of concern about the dollar's future, the process of passing the necessary legislation might add to uneasiness and stimulate a capital outflow, which would add to the balance of payments deficit.

Mr. Alexander's proposal on the reserve ratio and his added, somewhat astonishing, recommendation that U.S. citizens be prohibited from owning gold located abroad is described by Dr. Walter E. Spahr as "a revival of John Lawism in money . . . tragically unsound and dangerous." M. A. Kriz of the First National City Bank of New York believes: "The real question is whether the necessary anti-inflationary steps would be taken more promptly and more effectively if the legal gold requirement were lifted; for my part, I doubt it. . . There is a danger that a change in institutional arrangements might be mistakenly regarded as a substitute for policies designed to deal with fundamentals. There are no shortcuts to safeguarding the dollar."

On the other hand, Prof. O. K. Burrell of the University of Oregon thinks it reasonable to expect that the Fed's minimum requirement will be eliminated. The ratio, he says, is not a restraint on the Fed because it need not fear the consequences of a conversion into gold, such as was possible before 1933.

As yet the Federal Reserve Board has not admitted that its work is being hampered by the rapid loss of gold. A vice-president of the Cleveland Fed, however, L. Merle Hostetler, holds that the margin of maneuverability in monetary policy is much smaller today than it used to be. "If short-term rates were encouraged to go much lower in this country," he says, "as a means of combatting deflation with easy money, the risk would be incurred of accentuating the outflow of American funds to more profitable pastures abroad, accompanied by a further overflow of gold." If this is the case Mr. Kennedy's campaign promises to use the White House's great influence in getting the Fed to bring down interest rates will be all the harder to keep in 1961.

The intensification of the U.S. balance of payments deficit has been apparent to official Washington for a considerable time. The deficit has been attended by growing distrust of the dollar abroad. Following the return of the U.S. delegation from the World Fund meeting in New Delhi in 1958, Chairman Martin of the Federal Reserve Board publicly reported

(CONTINUED ON PAGE 122)

Next Treasury Secretary

DOUGLAS DILLON looks ahead to the task awaiting him in the Treasury Department

IN SELECTING Douglas Dillon as his Secretary of the Treasury, President-elect Kennedy for the second time picked a Harvard man. The new Director of the Budget (see below) was also drawn from the university's staff. Mr. Dillon got his AB at Harvard College in 1931.

Coming from the State Department, where he has been Under Secretary for Economic Affairs since June 1959, Mr. Dillon brings to the Treasury a broad international background. Prior to his appointment as Ambassador to France in 1953, Mr. Dillon had an active career in finance. From 1931 to 1936 he was a member of the New York Stock Exchange. In the latter year he became a director, and later president, of the United States and Foreign Securities Corporation. In 1938 he was made a vice-president of Dillon, Read & Co., becoming chairman in 1946. He is, thus, an experienced financial hand. Yet his viewpoint on some important questions seems to be somewhat different from that of his two immediate predecessors. He is not a Humphrey-Anderson conservative.

For example, as Under Secretary of State, Mr. Dillon has fought the Treasury and Budget Bureau for increased foreign aid appropriations, sometimes successfully. When in November he accompanied Secretary Anderson on his balance-of-payments mission to Bonn, it was widely reported that he was not in full agreement with the Treasury on the urgency of the problem. In the State Department, Mr. Dillon has leaned heavily on the advice of his special assistant, John Leddy, a liberal economist, who has a special interest in world trade policy and foreign aid.

Thus, it is expected, Mr. Dillon will gear the Treasury more closely to world policy. The Secretary of the Treasury is, *ex officio*, chairman of the National Advisory Council on International Monetary and Financial Problems. In recent years there has been a tendency for decisions to be reached without formal NAC action. Possibly Mr. Dillon will change this.

Senator Kennedy during the 1960 campaign advocated faster growth for the U.S. Mr. Dillon is no less interested in growth abroad. In 1959 testimony he said: "The political, economic, and human significance of

(CONTINUED ON PAGE 76)

New Budget Director

DAVID E. BELL, *left*, has chat with Maurice Stans, the man he will succeed

IMMEDIATELY upon his selection as Director of the Budget, Harvard's 41-year-old David E. Bell stepped out of the front door of President-elect Kennedy's Georgetown home to meet the press and photographers. "Say something," said one of the cameramen; "Say anything, like 'One, two, three, four.'" Quick as a flash he said: "Forty-five billion."

Mr. Bell is not a newcomer to billions. Starting in 1942, he has done three stints in the Budget Bureau and, as a member of the White House staff under President Truman, worked on speeches and messages to the Congress, notably on the budget and the Economic Report. The 6-foot-4 native of South Dakota joined Harvard's Graduate School of Public Administration in 1957 as a research assistant and lecturer in economics.

Former colleagues at the Budget Bureau describe Mr. Bell as an expert on the techniques of management, organization, budget review, and economic policy. He worked there in three different divisions: Administrative Management, Estimates, and Fiscal. Mr. Bell joined the Bureau in 1942 as a junior budget analyst. For three years he was with the Marine Corps, at Quantico and Pearl Harbor, returning to the Budget Bureau late in 1945 as a budget examiner. He quickly rose to the post of top economist in the Fiscal Division, where he caught the attention of President Truman's aide, Charles Murphy.

Through Mr. Murphy, he became a Special Assistant to the President in 1947. During the next budget season Bell was back in the Budget Bureau as administrative analyst and worked on the Budget Message. In 1949 he was again in the White House, as Truman's Administrative Assistant. According to Mr. Murphy, who speaks highly of his ability, character, and personality, Mr. Bell worked on a wide range of White House mat-

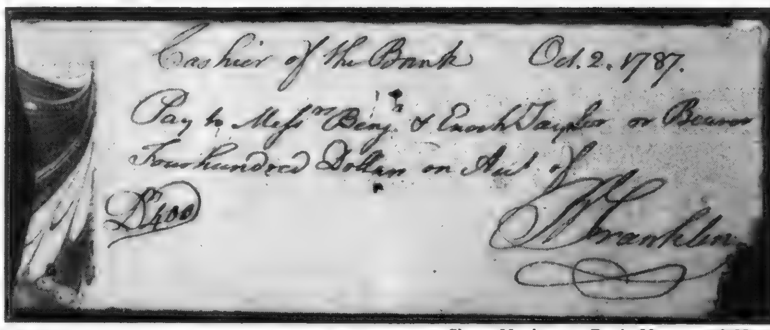
(CONTINUED ON PAGE 76)

Banking's
AMERICAN
Story

CHECKS (MICR Spells "Opportunity")

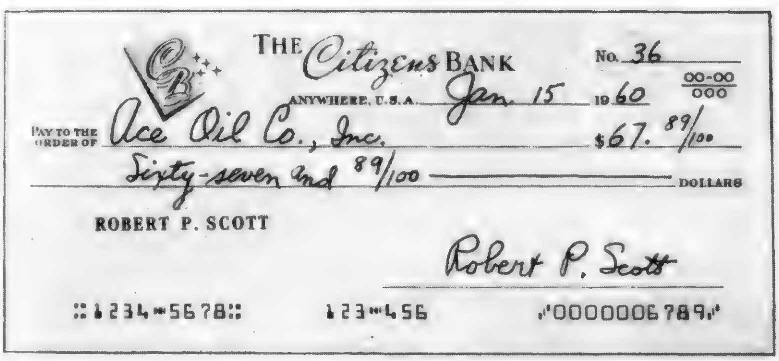
The greatest chapter in the story of bank checks is now being written—in speed of handling, safety, convenience, and wider usefulness. When banks revolutionize this service, which is indispensable to more than 100,000,000 customers, that's* NEWS*—to all businesses and individuals in the country.

WILLIAM R. KUHNS



Benjamin Franklin needed nothing more than pen and paper to write a check in the days when few people had a personal account and most people preferred cash. Checks can still be written this way . . .

Chase Manhattan Bank Museum of Money



. . . But today's printed form makes check writing easier for the millions of people with accounts, and the magnetic ink code along the bottom indicates our greatest step toward speed, safety, and accuracy

More Than That—

Electronic equipment thus used will open a new world of possibilities for handling other operations that include nearly the entire list of bank services.

And in Addition—

The equipment is versatile and flexible enough so that banks may eventually be able to make it available to businesses and individuals for such uses as

1. **Preparing payrolls**
2. **Inventory control**
3. **Sales analysis**
4. **Accounting & Engineering Purposes**

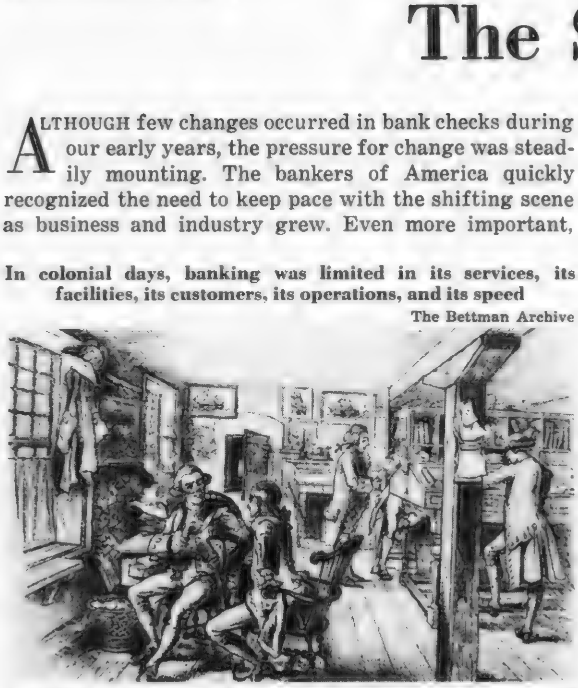
Banking's
AMERICAN
Story

The Shifting Scene . . .

ALTHOUGH few changes occurred in bank checks during our early years, the pressure for change was steadily mounting. The bankers of America quickly recognized the need to keep pace with the shifting scene as business and industry grew. Even more important, they found new opportunities to serve as we moved from a "cash and carry" economy to one where $9 of every $10 is paid by check. The growing turnover of checkbook dollars has been accompanied by an unending cycle of new problems, solutions, and opportunities to serve.

In colonial days, banking was limited in its services, its facilities, its customers, its operations, and its speed

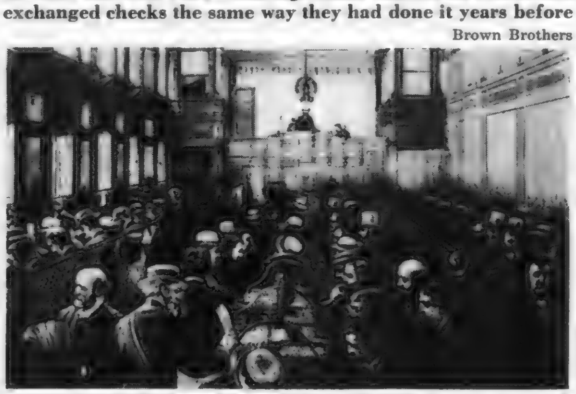
The Bettman Archive



Today the modern bank needs separate, well-appointed space for the fast transaction of its many services to all people

In 1887 the New York Clearing House bustled as clerks still exchanged checks the same way they had done it years before

Brown Brothers



Twenty years later the same scene in the New York Clearing House had changed but little although the volume had risen

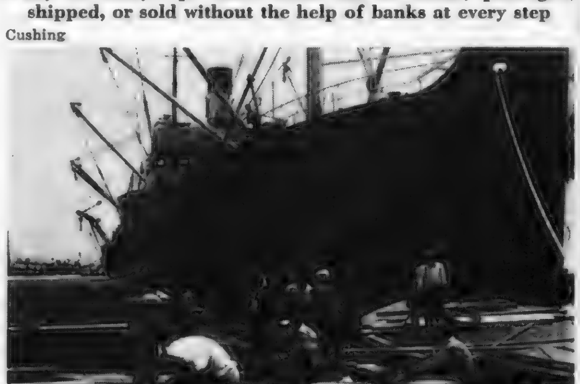
Brown Brothers

Industry had little need for banks or bank services when it was largely in the handicraft stage and trading was limited

Museum of the City of New York

Many of today's products could not be made, packaged, shipped, or sold without the help of banks at every step

Cushing



. . . Long History, Mostly Current

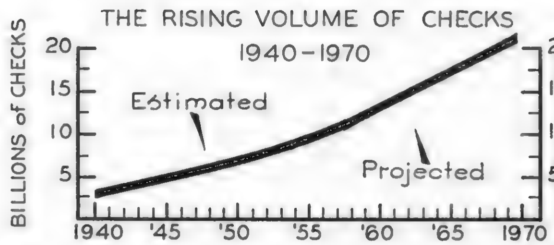
CHECKS have a history that began more than 2000 years ago, unless we want to be technical about the meaning of the word. However, it was not until a hundred years ago that check money in the United States began to exceed the volume of actual currency in use.

And it was not until the last few years that the most dramatic chapter in the whole history of checks began to get itself written.

To transfer our money, more than 13-billion bank checks amounting to \$2.3-trillion are paid by banks in the U.S. each year. That is enough paper to make five round trips to the moon and is the biggest data processing job in the world.

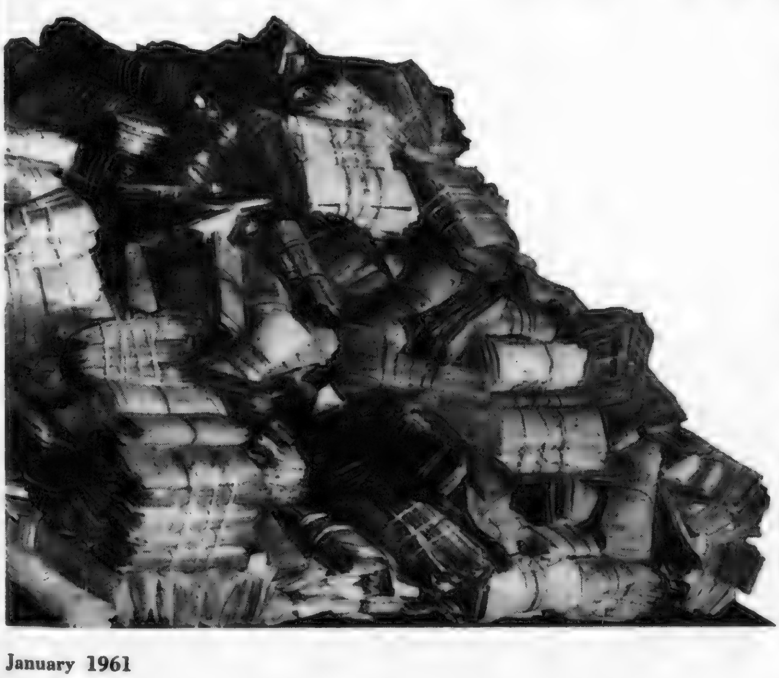
To do this job and keep our nation's checking system the most efficient in the world, many banks work three shifts around the clock—24 hours a day.

Because of the efficiency of the American bank check system, banks need to hold only about \$3.4-billion in coin and bills as vault cash; and about \$32-billion in actual money is in use at any given time.



The volume of checks and check money has been rising about 10% yearly, so the crystal ball says that banks in 1970 will be handling more than 22-billion checks or around \$4-trillion in check dollars.

DID YOU KNOW?



√ **Of all the payments made in this country, 90% are made by checks written on the 54-million checking accounts in insured commercial banks.**

√ **If all the checks written in the U. S. in one year were laid end-to-end, they would reach 65 times around the earth.**

√ **Each check may be handled as many as 24 times before it is paid, with an over-all average of 2⅓ banks involved in routing and processing it.**

A Growth in Employment . . . a

Brown Brothers

Stacks of bills surrounded the teller in an era when checks were less prevalent

MORE checks meant more work. And the most obvious solution to the problem of more work was—more workers. As banks expanded their checking account services, increased the volume of check transactions, and made check-writing a national habit, the problem of hiring more help became acute. The simple solution no longer served.

Among the changes was the hiring of women after the barriers of tradition and prejudice had fallen. The invention of the adding machine in 1885 was an early step toward mechanization. The training of employees became important and specialization was introduced as a means for speeding up the training process.

In the race to keep up with the rising tide of checks many changes were made, but the basic form of the check itself has been unaffected. That's because our checks have always been in a form that defied further simplification.

And because it is so elementary in form, it is only logical that it should have become the accepted way to transfer money. No wonder there are more than 52,000,000 checking accounts today, that more than 30,000,000 checks are written daily, and that more than $6.5-billion changes hands each day through checks.

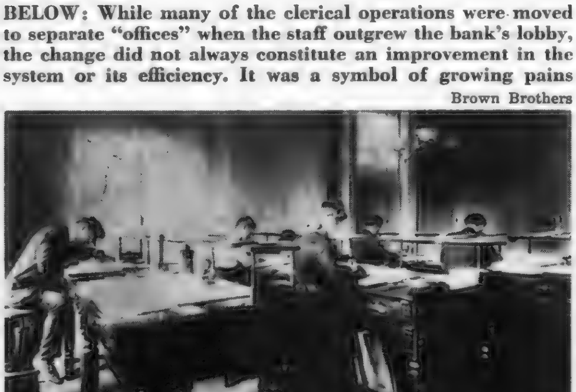
Brown Brothers

ABOVE: Not far removed from the colonial banking office is this turn-of-the-century bank where nearly all operations were centralized in a single room, the staff was small, and women and machines were just beginning to make an appearance

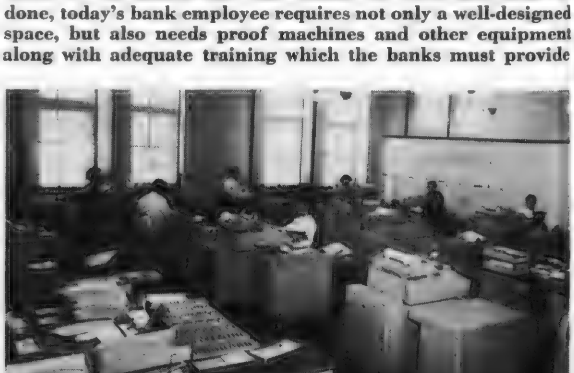
ABOVE: The modern lobby is in sharp contrast to that of the old-time bank with its functional design, its team of specialized tellers, its inviting and pleasant appearance, and its aura of efficiency enhanced by behind-the-scenes mechanization

BELOW: While many of the clerical operations were moved to separate "offices" when the staff outgrew the bank's lobby, the change did not always constitute an improvement in the system or its efficiency. It was a symbol of growing pains

Brown Brothers



BELOW: To handle the vast volume of work that must be done, today's bank employee requires not only a well-designed space, but also needs proof machines and other equipment along with adequate training which the banks must provide



Banking's AMERICAN Story

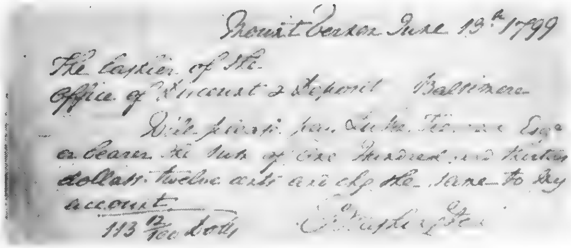
. . and Customers

DURING our early years the use of checks was very limited. Opening a checking account was a privilege extended by banks to men of position and prestige. The economy did not require the advantages that checks provide and the people, whose confidence in the currency was frequently shaken, were reluctant to accept them.

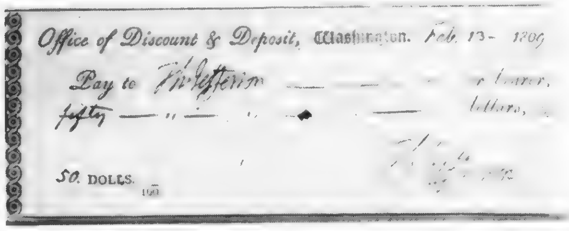
By 1855 the growth of the nation, the expansion of the economy, and improved communication under uniform postal rates combined to make checks more important than bank notes in the settlement of business transactions. They continued to be primarily a business tool until well into the 20th century. Individuals did not generally feel the need for a checking account and banks were not inclined to extend this service.

For one thing, the clearing system couldn't support a heavy volume. The exchange charges that many banks made for handling items drawn on other banks was a deterrent although the development of correspondent banks largely eliminated such charges. On the other hand, to avoid such charges, checks often followed long and circuitous routes. It wasn't until the creation of the Federal Reserve System in 1913 that banks were prepared to cope with a sharp growth in check volume.

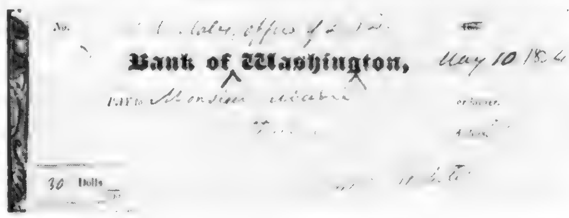
The next major step occurred in the mid-1930s with the introduction of the special checking account. The number of accounts and the volume of checks rose rapidly as a result of this innovation. Since then banks have added many new twists and angles to make checking accounts even more useful and attractive to customers. Among these are the personalized check, automatic transfers to savings accounts, periodic deductions for the payment of bills, and the "check credit" plan now offered.



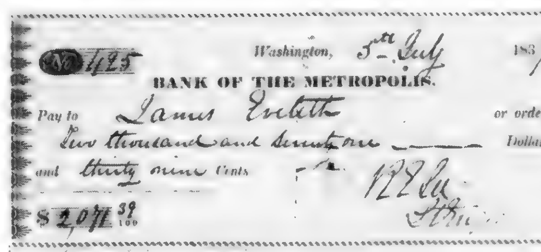
While Washington had to write this check in longhand, the form he used is familiar



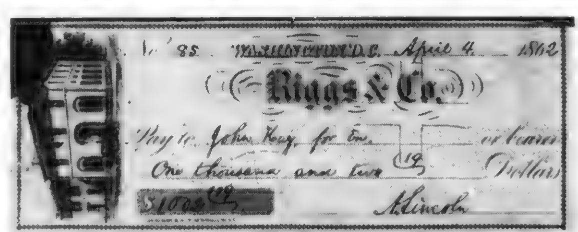
Jefferson followed a printed form but the essential parts remained the same



In Daniel Webster's day it was still a privilege to have a checking account

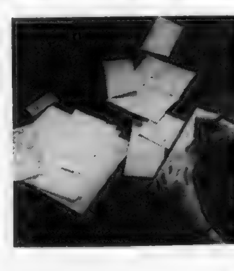


When Robert E. Lee signed this check he used a form that is almost modern



Abraham Lincoln's check of 100 years ago does not differ much from today's

Above checks from the Chase Manhattan Bank Museum



Far from being a mark of prestige available only to the privileged few, today the convenience and safety of a checking account are taken for granted by career girls, grocers, and the modern housewife

Banking's
AMERICAN
Story

The Need for Speed . . .

How the Fed Helps

A tour of the New York FRB clearing section follows the path of a check along a route soon to be outmoded by electronic sorting equipment.

First move is through the proof section for sorting and totaling

Second step is to sort batches of checks according to destinations

Final step is to weigh the pouches that will be sped along by airmail

Symbolic of the perpetual race against time is this night loading of checks on a plane—just one phase of the round-the-clock chore of the banks and clearing houses in their handling of more than 13-billion checks that are written every year

WHEN the business of the nation moved at a leisurely pace, a difference of a week or two in the payment of bills was not too serious. At the modern tempo, businessmen can't wait weeks for a check to clear—often they must draw against checks within days after deposit.

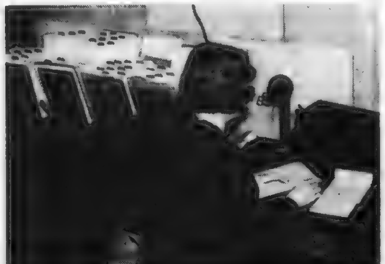
Along with speed, banks must exercise extreme caution to guard against error and fraud. Pictured at the right are some of the tools that have been developed over the years to assist them.

With the expansion of checking accounts that started in the mid-1930s, the job of keeping tabs on customers' balances became enormous. An early solution was the interphone that linked tellers with the central files for the fast relay of questions and answers.

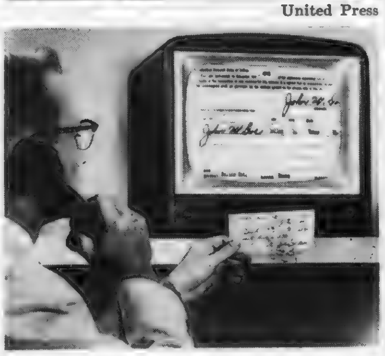
A new dimension was added with the coming of television. This gave the teller visual access to the central files and permitted him to check signature cards.

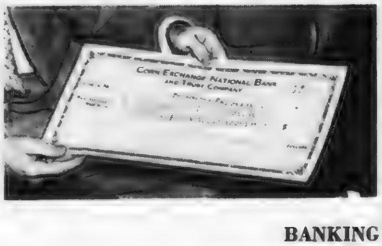
While the "honest" mistakes are headache enough for banks, even worse are the occasional efforts to defraud. The A.B.A. has long maintained a nationwide program to prevent, detect, and apprehend swindlers. Pictured is the FBI special file section which aids in the never-ending battle against bad check "artists."

Another useful device to discourage the doctoring of checks is special paper on which the word "void" appears when ink eradicator is applied. Many checks are printed on such paper.



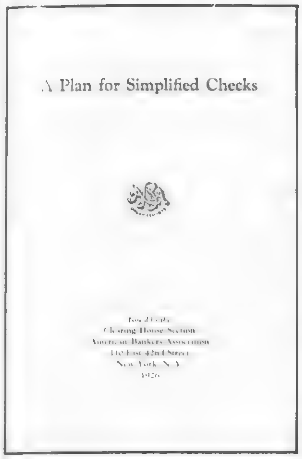
United Press





Banking's
AMERICAN
Story

. . . and Recent Developments



35 years separate these two A.B.A. publications

STANDARDIZATION of checks is a story that began in 1926 and resembles in some ways the much older story of efforts to standardize currency. Today check standardization has suddenly changed from a desirable goal to an absolute necessity.

Preparing for the Tide of Paper

IN 1957, anticipating this rising tide of paper, the Bank Management Committee of the American Bankers Association recommended the use of magnetic ink on checks so that the printed characters could be read electronically and the checks handled automatically.

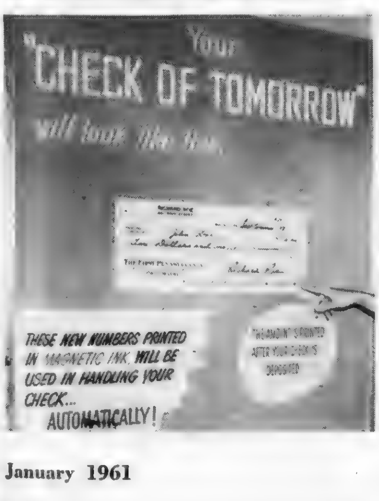
A few months later the Federal Reserve System engaged Stanford Research of California to prepare specifications for the necessary equipment. Manufacturers were asked to submit recommendations at the same time.

Since then the program has moved swiftly ahead in the face of great problems—scientific, educational, public relations, and differences of opinion among banks, manufacturers, and check printers which were bound to arise in bringing such diverse elements to a common understanding.

Economy of operation was one of the big factors in the start toward standardizing the size and appearance of checks. Grim necessity was the driving force behind the move toward mechanization. Now, with the volume of checks rising constantly and fast, the potential sources of revenue and economies rise, too.

The automation program is still on the expense side of the books, but with the banks making this most widely needed service accessible and useful to more millions of customers, the effects of this epochal change are bound to have a stimulating effect on other bank services and revenues.

RECOGNIZE IT? If not, you soon will because the list of banks switching to magnetic ink encoding is rapidly growing. And it's not just for the big banks. The actual encoding is so simple a matter that even the smallest banks can include it on their checks. The advantages are so practical that it's gaining popularity abroad—the London Clearing Banks recently adopted it to join with Belgium, The Netherlands, and West Germany behind the project



PUSHBUTTON CHECK HANDLING is more than a dream; it's now a reality. Instead of the stop-and-go movement of checks from station to station as they are proved, sorted, posted, and reviewed, they can be sped along an electronic route through all these operations with no more human effort than pressing a button. At the same time, the new equipment provides those three basic elements necessary in all check handling—speed, safety, and accuracy

BRAIN CELLS from an electronic computer are these tiny magnetic cores which store data

Banking's
AMERICAN
Story

The Unpredictable Future

NEW SOURCES of revenue and new operating economies are inherent in the electronic handling of checks, even though these things are still in the future, for the most part. At this point on the road to automation, the trip has been mainly expense. It may be some time before actual cost savings and new income can be chalked up to the credit of electronic check handling.

However, it's time to think about Magnetic Ink Character Recognition in terms of dollars and the vista of new possibilities that MICR opens up. In the fantastic future that is fast approaching, banks must look mainly toward finding new services for which they can charge and toward finding new ways to economize.

Some economies will come inevitably as a result of automation. Others must be actively sought. With adequate planning and imagination, electronics can bring lower unit costs to all areas of the bank. But it is important that the services expand because expensive equipment can produce low unit costs only when the volume is large.

Increased volume doesn't just mean "more customers for our services"—it also means "more services for our customers." It's through both of these approaches that electronics can pay big dividends. By slashing the time and paperwork per transaction, banks will be able to expand those activities currently curtailed because of limitations in time, space, or personnel.

In the same way, electronics can lead to the introduction of services that may previously have been impractical for a bank to offer. That might include such things as on-the-job banking, check-credit, payroll preparation, check summarization, or freight payment plans.

But the really forward-looking banker will be able to envision, and develop, services beyond the wildest dreams of yesterday's banker. It's only a matter of time before banks may be offering customers statistical analyses in such areas as market research, sales forecasting, and inventory control. They may undertake to handle all the accounting for a business, or prepare specialized reports on future trends and activity within particular industries.

It is even conceivable that banks, linked electronically across the country, could introduce some scheme for transmission that would drastically reduce the need for shuttling paper checks back and forth. Just as checks largely replaced currency 100 years ago, we may see checks being largely replaced by magnetic impulses within the next five to ten years.

MICR will certainly mean "change" to all bankers—to astute ones it will spell "opportunity."

Progress in Promotions

In 1908 the Norway National Bank made its appeal to the farmer stressing the safety of a checking account. By 1936 checks were still "the messengers of business," but the individual was included and the selling point was "prestige." Today LaSalle National, Chicago, adds "the personal touch," accenting service

THE LARGE YIELD OF

Sweet Corn,

— AND —

Apples

means that the farmers will receive large sums of money in payment. Probably a large share of this will be paid out in a short time and there is no safer place to keep it and no better way to pay it out than by opening a checking account in

... THE ...

Norway National Bank,

Norway, Me.

The check serves as a receipt. There is no danger of loss by fire or theft. You can always make the correct change. You can always obtain cash at the bank. There is nothing complicated or hard to understand in keeping a bank account. When you receive your checks for apples and sweet corn, call in and let us convince you that it is for your interest and profit to open an account with us.

☞Thirty-five years of successful service to depositors.

CHECKS
the
messengers of business

Some 90% of American business is carried on through the checking systems of our banks. In no other country are checks used so commonly as in the United States, and without them, business would operate under a burdensome handicap.

For the individual, the opening of a checking account is a step upward in his business progress and personal prestige. It signifies his business-like method of handling his money matters.

If you do not already have a checking account, any of our officers will be glad to tell you how simply one may be opened here

NATIONAL BANK AND TRUST COMPANY

the personal touch...

Louise Jones has supervised the bookkeeping activity on your La Salle Checking account through many busy years, and this kind of personal care will be yours in the future, too.

Things are buzzing in the bookkeeping department these days. Louise and all the other gals are looking forward to the installation of La Salle's new electronic data processing system, coming soon! They know it will help them do an even better job for La Salle customers.

BETTER METHODS & SYSTEMS

"Time Saver" Slip for Factory Payroll Check Cashers

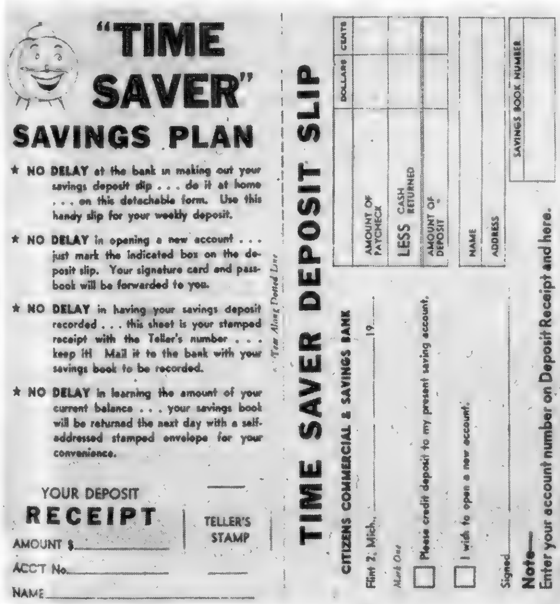
At the Citizens Commercial & Savings Bank of Flint, Mich., Assistant Cashier James W. Bitzinger was watching Chevrolet factory workers cash their pay checks at the branch he manages. It's in the heart of an automobile production area.

"H-mmm," he said to himself. "Now *there's* a potential for savings. If only we could tap it . . ." Perhaps the answer was in making it as painless as possible for these people to put part of their check proceeds into time accounts.

The next time W. Eldon Garner of the bank's community relations department dropped in, Mr. Bitzinger and he talked over the problem. If a simple form were handed to the hundreds of factory workers, perhaps they'd take the time to fill it out.

So the bankers put their wits together and came up with the "Time Saver" Savings Plan pictured herewith. The outside page in effect thanks the worker for bringing his check to be cashed, and then indicates that there's a savings idea overleaf. The center spread tells how easy it is to save under the plan, and provides the ticket.

The bank, which also serves the production areas of Buick and Fisher body, printed 15,000 leaflets for distribution to every worker cashing checks. At last report, the reaction was favorable; some accounts were being opened.



"TIME SAVER" SAVINGS PLAN

★ NO DELAY at the bank in making out your savings deposit slip . . . do it at home . . . on this detachable form. Use this handy slip for your weekly deposit.

★ NO DELAY in opening a new account . . . just mark the indicated box on the deposit slip. Your signature card and passbook will be forwarded to you.

★ NO DELAY in having your savings deposit recorded . . . this sheet is your stamped receipt with the Teller's number . . . keep it! Mail it to the bank with your savings book to be recorded.

★ NO DELAY in learning the amount of your current balance . . . your savings book will be returned the next day with a self-addressed stamped envelope for your convenience.

YOUR DEPOSIT RECEIPT

AMOUNT $

ACC'T No.

NAME

TELLER'S STAMP

Tear Along Dotted Line

TIME SAVER DEPOSIT SLIP

CITIZENS COMMERCIAL & SAVINGS BANK

Flint 2, Mich., 19

	DOLLARS	CENTS
AMOUNT OF PAYCHECK		
LESS CASH RETURNED		
AMOUNT OF DEPOSIT		

NAME

ADDRESS

SAVINGS BOOK NUMBER

Mark One

☐ Please credit deposit to my present saving account.

☐ I wish to open a new account.

Signed

Note—
Enter your account number on Deposit Receipt and here.

Here are the working pages of the easy-saving deposit form for check cashers. The cover, enlivened by drawings, says "it's a pleasure to cash your check as it would be to help you $ave your money, and here's a special service just for *you*"

The Three "C's" of Credit Filing

There's a great need for credit files and for careful evaluation of the data they contain, says G. William Metz, examiner, Federal Reserve Bank of Philadelphia.

In a talk to the Pennsylvania Bankers Association's lending conference Mr. Metz emphasized three important "C's" of the files: "Complete," "Current," and "Concern." He developed each.

Complete. Files should contain all the essentials to the evaluation of sound credit. Some borrowers' files are not merely imcomplete, they don't even exist. Avoid having the examiner spend time searching for material that never got into the files.

Some banks' credit files are "dated"; many are obtained only during the annual examination. "I've overheard many telephone conversations between bankers and borrowers where the borrower is urged to bring or send his statement to the bank, implying and sometimes mentioning, that the urgency of the appeal is due to the fact that the examiners are of the opinion a statement should be on file." If statements are obtained subsequent to an examination at the examiner's request, they may become outdated by the time he returns and the entire process could be repeated with neither the banker nor the examiner able to evaluate the credit correctly.

Lack of operating statements is a glaring deficiency. Summary of profit and loss figures and significant items in assets and liabilities may not be properly identified or broken down into identifiable components. Prominent people are sometimes bypassed because the banker

feels he knows what the individual is worth and sometimes because the borrower may be offended. Sometimes complete credit data are missing because the officer feels that all collateral loans do not need statements.

Some bankers, aware of the examiner's rule of thumb review of loans, according to a percentage of the bank's capital, get statements for only borrowers whose loans exceed this minimum. They prepare ahead of time for the examination. Your credit files should not necessitate a policing job; their maintenance should be an efficient everyday procedure.

Current. The greatest failure is in not replacing old statements with current ones; occasionally when the new statements are obtained they are not read, reviewed or compared with the old. Periodically, the files should be reviewed and any material of no further use should be removed.

A useful comment or history sheet must be constantly updated and should include all credit items.

Concern. Lack of it makes for inefficiencies and inaccuracies. It leads to procrastination. Your concern must be active. The credit department should not be merely an organization for filing information; it should analyze and interpret the facts. Explanations should be sought for significant changes that can't be reconciled. There may be some paradoxes, such as a decrease in net worth with an increase in earnings. A concern for these discrepancies is necessary.

Bank of America Has $17,000,000 Home for Its Big Electronic Family

THE $17,000,000 home of "the greatest array of modern technological banking equipment ever installed in one location" was unveiled in San Francisco recently by S. Clark Beise, president of Bank of America.

Known as One South Van Ness, the 8-story structure has 13½ acres of floor space and will house "the most advanced electronic and mechanical equipment available for banking services." Mr. Beise called it "physical evidence of a new age in banking."

The building provides the space and flexibility for centrally locating many electronic tools and coordinating their operation, he said. And it "assures lowest cost production to ourselves and to our customers."

One South Van Ness is more than 60% occupied. When fully activated next March it will be the working home of 1,600 employees in 30 service and administrative departments serving the bank's Bay Area branches and, in some cases, the entire worldwide organization.

The ERMA Center (electronic recording method of accounting) is now performing all bookkeeping detail for 120,000 checking accounts and at full capacity will serve approximately 87 branches in the San Francisco district.

The data processing center now being installed will handle all Timeplan and real estate loans for 172 branches in northern California and will settle the exchange of checks and deposits among the bank's 702 branches.

Construction features include 8,000 linear feet of movable interior partitions for quick rearrangement of space, a power plant capable of generating the electricity needed for 600 6-room family dwellings, and a frame planned for future expansion of 13 stories.

President Beise showed the building to the press at a special preview. Reporters received a 41-page brochure describing it in detail.

This building in downtown San Francisco will house Bank of America's technological equipment

System Analysis

EMPHASIZING the importance of a general systems analysis in small and moderate sized banks, Denton A. Fuller, president of the Citizens National of Wellsville, N.Y., offered a NABAC meeting several factors to consider in conducting it. Here they are:

Prepare a work flow chart. Determine the number and activity of checking and savings accounts, of loans and mortgages. Get volume indicators for all departments, i.e., item count from central proof machine and transaction count from teller machines. Analyze the cost of doing business. Determine the degree and effectiveness of audit.

Centralize accounting for deposits, loans, etc. Allocate departmental space. Survey the authority and responsibility assignments. Study customer and employee relations. Ascertain the adequacy of the bank's present equipment in speed, capacity, accuracy, and control. If "tronic" equipment is indicated, decide whether to use alpha numerics, straight numerics, or the alpha digit system for identification of accounts.

Assuming that the systems analysis program indicates certain equipment replacements, Mr. Fuller suggested that a bank ask itself:

Are present unit costs excessive? Do present equipment repair costs exceed accepted standards? Will the estimated operating costs of the new machine compare favorably with established standard costs? Can the new equipment be operated as effectively with less skilled personnel?

Will the new machine pay for itself in a reasonable time? What percentage of time will the new equipment be used? Will it result in greater production? Will internal controls be tightened? Will audit become more effective? What are the provisions for "down time" and how prompt will service be? What are banks of similar size doing? Have you studied the equipment offered by various manufacturers?

Boston Clearing House Members Store Records in First National's New Rural Underground Center

THE First National Bank of Boston has opened an underground records storage center in a meadow at Pepperell, Mass. Nine other members and associates of the Boston Clearing House Association have signed 10-year leases for space.

First project of its type to be built specifically for use by a group of banks, the 60 x 120-foot reinforced concrete building is on the grounds of a 40-acre estate bought by the First some time ago as an alternate operating location in the event of a disaster. The main house on the property would be the bank's temporary headquarters.

Institutions whose records will be preserved in the underground center are, in addition to the First: The Merchants National Bank, The National Shawmut Bank, New England National Bank, Rockland-Atlas National Bank, State Street Bank and Trust Company, United States Trust Company, Boston Safe Deposit and Trust Company, City Bank and Trust Company, and the Boston office of Brown Brothers Harriman & Co.

The facility, 42 miles from Boston, was designed and built in cooperation with civil defense authorities. It is estimated that it would be unharmed if a 20-megaton hydrogen bomb struck beyond a 3-mile radius.

Designed specially for the records-preservation programs of the participating banks, the building is a self-sustaining unit. It has its own emergency generator, a 426-foot inside well, food supply for 50 persons, and a double air filter to protect against radiation. The 8-ton main door can withstand a bomb blast.

The center was officially opened by Roger C. Damon, president of The First National Bank of Boston, and William E. Westman, secretary of the Boston Clearing House Association and vice-president of the Rockland-Atlas, acting for H. Frederick Hagemann, Jr., president of that bank and of the clearinghouse. Others attending included A. A. Morrissette, Office of Civil and Defense Mobilization, and James T. Cavanaugh, chief of staff, Massachusetts Civil Defense Agency.

"The Boston banks," said Mr. Damon at the opening, "have recognized the responsibility of the banking industry to protect its basic financial records against destruction in the event of a national disaster. As early as 1953 these banks joined in establishing a duplicate records storage center in a town situated approximately 90 miles from Boston and remote from any known target area. At that time distance alone seemed sufficient protection.

"Since then destructive weapons of such great magnitude have been developed that greater precautions are necessary. This underground records storage center, designed under the guidance of the Office of Civil and Defense Mobilization, and to their recommended specifications, is a forward step in the continued joint effort by the Boston banks to meet their responsibility."

***Below, left,* a general view of the new underground records storage center of The First National Bank of Boston, showing main entrance, filtration booth (front turret) and escape hatch (rear turret). *Below, right,* main corridor of the center. Doorways are to areas used by each Boston bank leasing space. *Right,* view from Maple Street, in Pepperell, of buildings on the estate which will be used as temporary headquarters for the bank in the event of a major disaster. The center is buried in a knoll on the grounds**

Implications of U.S. Election

CHARLES M. SHORT

THE Presidential election in the United States attracted considerable interest throughout Canada, and the result is of concern to this country. This interest and concern have not been on the religious issue in the campaign, as Canada has had three Roman Catholic prime ministers over a period of many years, none of which submitted to extreme pressures from clerics of their faith. Indeed, the most renowned of those Prime Ministers, the late Sir Wilfred Laurier, resolutely resisted efforts by leaders of his church on educational matters, yet led his Liberal Party to successive victories for about 15 years.

While political relations have been friendly under the Eisenhower régime, a number of questions concerning North American defense and trade await complete settlement, one way or another, until the President-elect takes office and reorganization of most Government departments in Washington is completed some months hence. Politically, also, the policies of the new President have had some effects in Canada. The Canadian Socialist Party, decimated in the last general election of 1958 and now attempting to bring organized labor into its ranks, finds encouragement in the broader social welfare program put before the American public during the Presidential campaign. So also does a leftist element of the Liberal Party, which hopes to go back into power in the next general election in Canada.

Cautious Optimism

In business and financial quarters there is cautious optimism, first that higher Government expenditures in the United States would stimulate Canadian export trade south of the border, but, secondly, that any departure from sound monetary policy which might result from these expenditures could reasonably be checked before they had severe inflationary effects in Canada.

Blunt Discussion

American ownership of Canadian enterprises, in all about one-quarter of these, has come in for further and more widespread discussion, ranging from blunt statements by the governor of the central bank (The Bank of Canada) that future economic development should be based on Canadian savings for a more diversified and independent national economy, to the fact that American investment in raw material resources has had the advantage of providing large export markets both in the United States and overseas.

Kennedy Statement

The American President-elect showed some knowledge of this contentious matter over three years ago when he received an honorary doctorate of laws at a Canadian university. He described as "natural" Canadian fears of the deep penetration of American capital, especially in mining and fuels. At the same time he warned against "an outbreak of mutual economic retaliation and restrictionism which amount to little more than scapegoat hunting . . ." Then, addressing himself to his own countrymen, he roundly declared: "American businessmen with substantial investments in Canada should be required by the dictates of self-preservation, if not simple equity, to increase the participation of Canadian money and personnel in the development of Canadian resources."

The Canadian Government proposes direct action on this and other economic features. The government outlined at the recent reopening of Parliament in Ottawa a massive program which is assured of implementation with its huge majority in Parliament, but some months may elapse before the program is effective. While details are not yet available, measures will be taken to provide for greater participation by the Canadian public in the ownership and control of industrial and mineral resources.

Disclosure Required

Steps will also be taken to require disclosure of information by business and labor organizations controlled outside Canada. A Productivity Council is to be set up with a view to obtaining more efficiency and lower costs in industry in general. A larger Tariff Board will be formed to deal with a big backlog of representations made by various industries mostly for higher protection against foreign competition. The government has undertaken to aid small business by guaranteeing bank loans up to 90% of such advances for capital improvements and the purchase of equipment.

Small Business Defined

These loans will be available only to businesses with gross revenues of $250,000 a year or less, with a limit of $25,000 for each borrower over a maximum 10-year period. Credit facilities up to $200,000,000 are to be provided to underwrite Canadian exports for periods of five and 10 years. These facilities will be utilized through a special new banking company to be formed by the commercial banks, which will also have a government guarantee for a period of five years or less. Canada will then have an institution similar to the Export-Import Bank of the United States. A supplementary budget to cover the government's costs for these and other measures is about to be placed before Parliament as this is written.

On-the-Job Services

We've created New Demand Accounts

FEWER than half the employees of Rapid Transit Lines, Inc., owners of Wichita's first all-air conditioned fleet of city buses, had bank accounts prior to July 1, 1960.

After six months of receiving "notices of credit" under Union National Bank's new "No-Check Payroll Plan" 100% of the concern's bus operators and employees have bank accounts. Officials of Rapid Transit Lines, Inc., credit the bank with *creating* 57 new demand deposit accounts. And this is only one of many such examples.

Union National's "No-Check Payroll Plan" relieves the employer from making out individual employee payroll checks. This function is handled mechanically by the bank on IBM data-processing equipment.

Instead of payroll *checks*, the firm issues "notices of credit," showing the dollar amount (actually, a combination earnings statement and deposit receipt) that has been credited to the employee's account at Union National. To eliminate the onus of coercion, employees can either withdraw the entire amount of their net pay in cash or redeposit it in another bank of their choosing —at no cost for the transaction. In practice, of course, most employees find it more convenient to leave their accounts where the money is deposited for them.

In order to outline employer experience under this plan for readers of BANKING, we made a spot check of a variety of users in the Wichita area, asking them to detail their reactions to it.

Payroll Load Heavier; Payroll Time Shorter

"We've had a very unusual opportunity to observe the potency of this program," declares Wilbur Downing, office manager and comptroller of David's Inc., a membership department store which has greatly expanded its facilities and employment in the past year.

"Before we instituted Union National's 'No-Check Payroll Plan,' we had 70 to 75 employees. At that time it took one girl a day and a half every two weeks to take care of the payroll. As with most organizations, we kept the same girl on the assignment because of the importance of secrecy on payroll information.

"Since then we have greatly enlarged our operation. Now we have 120 to 125 employees, and the workload is one day, one girl, every two weeks. The girl works up the time-card information, and it is whisked to Union National by an armored car messenger service. We get the ultimate in secrecy on our payrolls—and if necessary for efficiency, we can switch personnel on the assignment without making the payroll information common knowledge among the employees. We count the added secrecy on payroll information a real asset."

Joe Meehan, president, Vickers Petroleum Co., Inc., finds the program a "progressive step," and avers that the bank had a "very good idea." "For us," he said, "the plan has provided real economy, simplification of records —and a generally streamlined set-up which gives increased accuracy and promptness of payroll.

"We have 150 of our people on the plan now—our clerical, executive and sales folks. We're now studying methods of putting all our hourly paid people on the plan, too. That's more complicated, of course, because we have shift differentials and a good deal of divergence in wage scale to deal with in this type of classification.

"With a company like ours, a great many of our sales people are on the road almost constantly—and many of our executive people travel a good deal of the time. This plan means to the man on the road that his check will be deposited at Union National—whether he is in town to look after it or not."

Kay Bessier, self-styled "jack-of-all-trades" for Roe Messner Construction Co., a commercial construction firm which operates in three states, also cites the tremendous advantage of a payroll deposit for the out-of-towner.

"We operate over a wide area," she said, "and our 100 employees are frequently and perhaps even generally working someplace far from Wichita when payday rolls around. This plan means for them that they can depend upon having their pay deposited in their account at Union National Bank."

"Our use of this plan dates to June 1, 1960. We've found it a tremendous time and money saver. It gives me more time to devote to customers when they come in. The peakload of payday used to tie me up full-time and it created a real bottle-neck for other work."

Plan Offers Firms Inexpensive Cost Accounting

Dick Martin, chief accountant for Davis Mfg., Inc., a manufacturer of trenching machines, trailers, and other such equipment, says this program makes inexpensive, workable cost accounting available to the industrialist.

"Certainly there are obvious savings to us in eliminating detail on payroll, quarterly reports, and the like," said Mr. Martin.

by the Thousands

Bus operator receives his "notice of credit" instead of a paycheck from transit company head, *right*, as Union National Vice-president R. W. Bruner, *left*, looks on

Mr. Hall is assistant vice-president at Union National Bank, Wichita, Kans.

BRADFORD HALL

"Not so obvious to people not in our business is the tremendous saving on our very necessary item of cost accounting. In manufacturing, cost accounting is essential. We have to know exactly how much time in both direct labor and indirect labor (overhead) should be charged to each one of our four products.

"If the bank didn't do this for us, we'd have to do it for ourselves—and it would cost us a great deal more that way than it does this way."

Another user with a shrewd appreciation of the cost accounting advantages inherent in the Union National plan is Gerald Ritthaler, auditor, Lassen Hotel.

"Normally in the hotel business, cost accounting is something that is needed but not done," said Mr. Ritthaler. "All of us can see the value of it—but few of us ever get around to doing it.

"Labor makes up 30% of a hotel budget. Uusually those hotels which go in for cost accounting at all just use about six major classifications.

"The Union National plan makes it possible for us to have 20 to 30 classifications. In any pay period we can determine in a hurry just which classifications show the biggest increases in cost—and which need some prompt reviewing. The record we get in that way is fast enough that it gives us a chance to do something about it before serious losses result.

Complicated Hotel Bookkeeping Simplified by Bank Plan

"Of course, there are other savings to us, too. Payroll is always a bugaboo in the hotel business. Some employees get meals at the hotel—which means that the meals must be taken into account for social security purposes, but not for income tax. So the stated amount must go into the payroll account and then come back out of it. The Union National plan has enabled us to effect worthwhile savings on this type of 'bookkeeper-breaking' detail. We already have the Schimmel Inn (with 60 to 80 employees) under the program, and are now studying the proper means to bring the Lassen Hotel (with 200 to 240 employees) under it."

These user reports show a variety of types of business, with a variety of reasons for being enthusiastic about our "No-Check Payroll Plan." Actually, Union National has two basic plans available. The first, available at no charge to the user, is a relatively restricted executive pay plan developed to protect the privacy of executive payrolls.

Complete Service Includes All Tax Forms

The second, and by far the most popular, is the complete "No-Check Payroll Plan" service. The cost for this complete payroll service (including preparation of the firm's quarterly state and Federal withholding forms and the employees' W-2 and Kansas 99 forms) is 18 cents per employee per pay period, with a $12 minimum. Example:

32 employees	$12.00
67 employees	12.00
70 employees	12.60
92 employees	16.56
147 employees	26.46

At the close of each pay period, each of our users submits an input form to us indicating unusual deductions and regular and overtime hours worked by each employee. We then compute and prepare the company payroll and provide the following forms each pay period: (1) a detailed IBM payroll journal; (2) a cumulative report that shows year-to-date gross, FICA, and withholding tax, and quarter-to-date gross for each employee; (3) a detailed cost journal—an optional extra; (4) a combination earnings statement and deposit receipt for each employee which is handed out in lieu of a payroll check. Each employee under the program receives free personalized imprinted checks and is allowed one free deposit (his pay) and one free withdrawal per pay period.

The enthusiasm of Richard W. Bruner, our 36-year-old vice-president and cashier, who adapted this totally new concept in banking for our bank, is readily apparent. " 'The No-Check Payroll Plan' allows full machine utilization, thereby justifying the use of more sophisticated electronic data processing equipment, and equally important, we think we have only begun to tap the tremendous reservoir of new demand deposit accounts that are waiting for us."

IN 1 MINUTE...IN 1

the front and back of 500 checks are photographed...

Operator simply feeds checks into new RECORDAK RELIANT 500 Microfilmer. It does the rest! Automatic controls supervise operation . . . all but end double-feeding—make job wonderfully troublefree.

As a banker, you can see how the new RECORDAK RELIANT 500 Microfilmer can speed all of your bank's microfilming operations . . . how it makes microfilming more economical than ever before!

And speaking of economy, it's almost like having 2 microfilmers in 1! Why? Because this new RELIANT 500 makes use of self-contained, interchangeable film units! These units can be substituted at any time, even in mid-roll! Result, two (or even more) departments—using

AUTOMATIC OPERATION

indexed...cancelled or endorsed

Set RELIANT's KODAMATIC Index dials to any of 100 numbers. Index is printed right on film as code lines. These lead straight to pictures you want when you look up items in RECORDAK Film Reader.

The RECORDAK Endorser (an optional accessory) does away with separate cancelling and endorsing operations and special equipment. Precision controls guard against chance of missed impressions.

their own units—can get their microfilming done with the same RELIANT . . . and still keep their work unitized.

These interchangeable film units are available in various reduction ratios—40 to 1, 32 to 1, and 24 to 1. One film unit is included in RELIANT's basic cost.

Write today for free copy of informative full-color folder describing new RECORDAK RELIANT 500 Microfilmer in detail. Recordak Corporation, 415 Madison Ave., N.Y. 17, N.Y.

RECORDAK®

(Subsidiary of Eastman Kodak Company)

originator of modern microfilming

—now in its 33rd year

IN CANADA contact Recordak of Canada Ltd., Toronto

Treasury Salute to Bankers

WILLIAM H. NEAL

National Director, Savings Bonds Division

FOR 20 years the American bankers and the U.S. Treasury Department have been partners in the promotion and sale of Savings Bonds. And a most successful partnership it has been.

For 20 years is the official age of the U.S. Savings Bond program. Since May 1, 1941, when the familiar series E bond was first offered for sale, the American people have purchased close to \$100-billion worth. They still own \$37½-billion in E bonds, and \$5½-billion in the companion series H bond. This holding of \$43-billion is 15% of the national debt. But it represents a great deal more. It means stability in the financing of the Government's needs, and stability in the financial program of tens of millions of individuals.

Since the inception of the Savings Bond program, American bankers have worked hand in hand with the Treasury Department in encouraging people to put a part of their savings in Savings Bonds. During the past 20 years, banks have issued about 80% of all Savings Bonds.

Fabian Bachrach

Symbol of eternal vigilance: emblem of the Savings Bonds program

For advice and counsel in sales promotional activities, we in the Treasury have looked to individual bankers, The American Bankers Association, and its Savings Bonds Committee. Of our 53 state chairmen, who are appointed by the Secretary of the Treasury, 60% are bankers. Of our more than 3,000 county chairmen, over 55% are bankers. Many of these have served since the early days of the program.

During these past 20 years, we have seen the fruitful results of Savings Bonds in every community throughout the land. They have helped to pay for new homes and farms, household furnishings, automobiles, medical and hospital expenses, children's education, vaca-

(CONTINUED ON PAGE 96)

THE SECRETARY OF THE TREASURY
WASHINGTON
December 27, 1960

A SPECIAL MESSAGE TO
THE NATION'S BANKERS:

My associates in the Treasury join me in thanking you for the support you have given us in carrying out policies we believe to be in the best interests of a sound and prosperous economy.

In particular, you have helped in many ways to make the Savings Bonds Program a strong link in the Treasury's debt management operations. Series E and H Bonds, now outstanding in record volume, have proved an effective way to place a substantial part of the public debt in the hands of individuals.

As you are aware, the Treasury depends greatly on banks to give bond holders and prospective purchasers convenient and well-informed service. Also, leaders of the Treasury's state and local volunteer committees often have come from the ranks of bank officers.

You can take deep personal satisfaction in knowing that since the beginning of the Savings Bonds Program in May 1941, tens of millions of Americans have, on recommendation of their bankers, acquired a most desirable security backed by the full faith and credit of the United States. Here at the Treasury we are deeply grateful for your many years of enthusiastic support of the program, and feel sure that the Treasury can continue to count on your help.

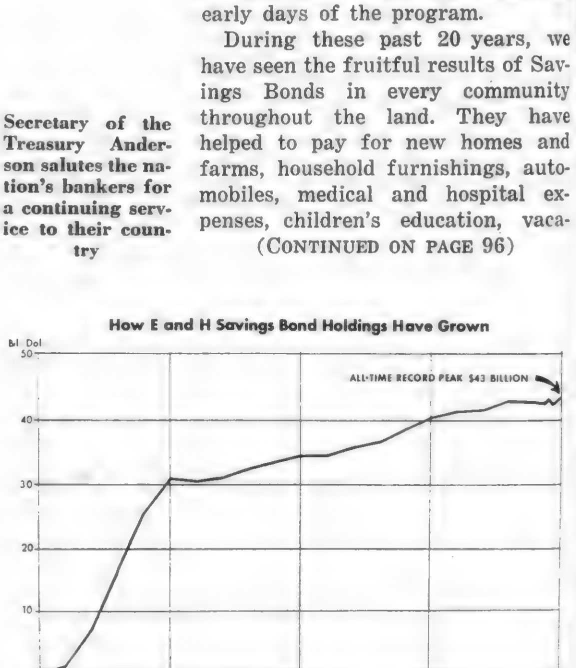
With warmest regards and best wishes for the future.

Sincerely,

Robert B. Anderson

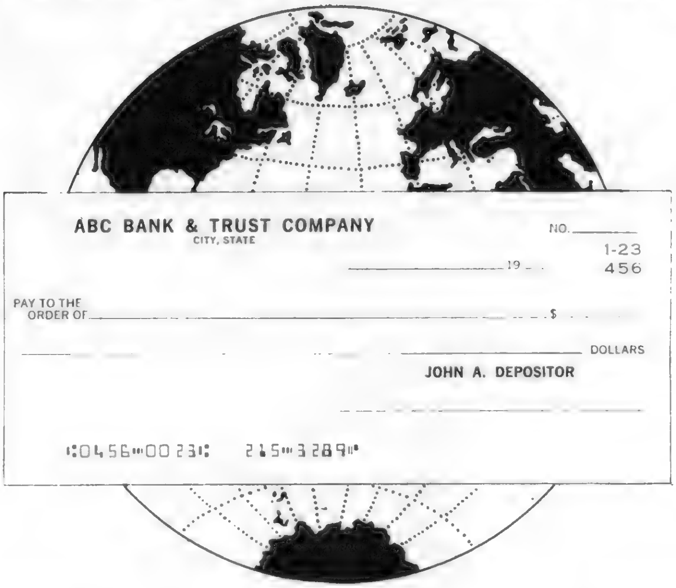
Secretary of the Treasury Anderson salutes the nation's bankers for a continuing service to their country

How E and H Savings Bond Holdings Have Grown



Your A.B.A. and

A COMMON LANGUAGE



THEY'LL be using it in London this year . . . West Germany, Belgium, and The Netherlands are getting ready to use it . . . a dozen other countries are keenly interested. The language, of course, is the common machine language already employed by countless banks across the U.S.A. in their check-clearing operations. Its "alphabet," in part, appears in the lower left-hand corner of the check pictured.

In the U.S.A., some 14 billion checks were written in 1960, involving some 84 billion handlings — and each year the number increases. The only solution is increasing and more widespread use of automation — to which the common machine language has now opened the door.

The creation of that language is the culmination of six years of intensive study and work by bankers, business-machine manufacturers, the printing industry — and your A.B.A.'s Bank Management Commission, which spearheaded the project and co-ordinated its progress.

Looking ahead, will automation soon be within the reach of every bank? To keep abreast of developments in this and every other vital area of bank operations and management, read BANKING — every month!

This is one of a series highlighting a few of the many activities of the American Bankers Association.

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Business Building Bulletin

JANUARY 1961

IDEAS AT WORK

Your Doughnuts, Yes . . . Your Hat, No

LET'S start the new year with an offbeat item—one that's in the spirit of today's banking. It makes good reading and good publicity. In fact, we'll wager an old copy of BANKING against a second-hand annual report that the local paper would use a similar story from your bank.

Communiqué, published by The Community Savings Bank, of Rochester, N. Y., tells its readers about the absent-minded lobby customers who forget packages. Title of the little piece is "We Eat Your Doughnuts . . . but Not Your Hat."

One lady left a dozen fresh doughnuts, and, after a decent interval, a teller ate 'em. He promised his colleagues he'd make restitution, but she never returned.

"One customer was ready to eat his hat in disbelief when he remembered that he had left it at Community for over a month. . . . He walked straight to the receptionist and asked for his hat—and we hadn't eaten it."

Then there was the little boy who got separated from his mother in the lobby and was in the bank's charge for some time while it sought her. When she finally appeared, asking the inevitable, "Where have you been?" the youngster, "as if he had never shed a tear, nonchalantly brushed her off with, 'just waiting here!' "

Noting the wide variety of unclaimed items, the story concludes: "With the same diligence used in tracing the depositors of unclaimed savings accounts, we attempt to locate the owners of articles left at the bank. When we can't locate the owners, why then all we can do is hope that the articles are edible!"

Harris Trust Has a "New Bank" Conference

HARRIS Trust and Savings Bank, Chicago, was host at a 1-day conference of the executive officers and directors of new banks it has helped to organize in recent years.

Harris officers addressed the 75 visitors from Illinois, Indiana, Michigan, and Wisconsin, and participated in panel discussions on management policies and operating practices of the institutions. The meeting took place in the new Harris building which the visitors toured.

The bank's public introduction of its 23-story addition—"a new Harris around the heart of the old"—included a bright brochure describing the premises. Instead of photographs, the book uses attractive, soft four-color drawings to display the banking floor and the departments. Two-color insets, liberally scattered through the pages, provide additional detail.

All the newness, assures the foreword, hasn't changed the bank's "attitude," which it defines as "the sum

Earl C. O. Lorenz, assistant cashier in banking operations at Harris Trust and Savings Bank, Chicago, answers a question asked at the "new bank conference"

The Ideas Section of the Business Building Bulletin is by JOHN L. COOLEY.

total of the old-fashioned warmth and genuine desire to be helpful . . ." Customers are asked to remember "this is still your personal bank."

Savings Drive Stresses Bank—S & L Differences

COMMUNITY National Bank of Pontiac, Mich., launched a savings promotion that stressed differences between banks and savings and loan associations.

Titled "Check the Big Difference Sweepstakes," the campaign provided 256 prizes to contestants who, on registering at any of the 11 offices, received numbered cards which were deposited in a drum for drawing. Corresponding numbers were on a brochure which winners were required to present for prizes. It compared the differences between banks and the associations.

Community reports that in the first fortnight of the 6-week Sweepstakes more than 35,000 persons registered; the area's population is about 200,000. More than 1,300 new accounts, totaling $1,100,000, were opened.

Prizes included a 17-day trip to Paris for two, a 1961 car, and a $2,000 scholarship. The campaign was advertised in newspapers, on radio and television, and in lobby displays. Winners were announced each week. The three top prizes were announced at the end of the promotion.

Titled "The Big Difference Between Mere Promises and Solid Guarantees," the leaflet says: "Saving money is important, but even more important is saving it safely. Many people are shocked when they learn the tremendous differences between 'money in the bank' and money in a savings and loan association. Find out for yourself how these big differences affect your savings, how they make a big difference to everyone with a savings account!"

VBA's Christmas Check Cashing Clinic Program for Merchants Popular in State

THE Virginia Bankers Association has given a big boost to a community-public relations idea that has real potential: the pre-Christmas check cashing clinic for local merchants. It's another of those activities that will keep until next year, so we report in some detail, with the suggestion that you write yourself a memo for the late fall of 1961.

Some time ago, as was recorded by this department, the First National Bank of Longview, Tex., joined forces with the sheriff's office in sponsoring an educational meeting of this kind. Many merchants attended; so did the sheriff, an assistant district attorney, and a special agent of the FBI. VBA's statewide program, introduced by Executive Vice-president Rawley F. Daniel and developed by the Committee on Bank Insurance and Protection, was used by at least five banks (the count at press time) and another state bankers association asked for information.

The clinics, at which retailers were briefed on the dangers in cashing checks, had joint sponsorship of banks and local trade organizations. A pilot program was worked out by the Farmers and Merchants Bank of Staunton which later drafted some recommendations on procedure.

Proceedings Published

The session was held in a hotel; letters of invitation and good newspaper publicity preceded it. There were bankers' talks covering check cashing precautions, by the merchants association manager, and by an attorney. After a question period came a door prize drawing (an optional feature, of course) and the bank served refreshments. A record of the proceedings was later distributed. In the words of the bank's president, George B. Tullidge, it was "a concise training aid that you can use in your own business." There were many requests for copies.

Other banks holding clinics included The Central National of Richmond (attendance 400), Bank of Crewe, The National Bank of Harrisonburg, and the First National of Clinton Forge. Also, the Farmers & Merchants State Bank of Fredericksburg sent educational material on the subject to the chamber of commerce which relayed it to the merchants, and a bank officer talked on check cashing at a merchants' dinner. The Bristol Clearing House Association circularized the retail dealers in its area.

Recommendations

As a result of its experience, Farmers and Merchants of Staunton recommends: (1) Invitations should go out two weeks before the clinic, with follow-ups by mail and phone. (2) If possible have a dry-run of the program for timing—hold it to an hour. (3) Have more than one attorney to cover the legal aspects—one makes the point on "how not to" by presenting an actual local case, another follows up with the correct procedure. (4) The program should be jointly sponsored by a bank and the local trade association. (5) Advance publicity is vital.

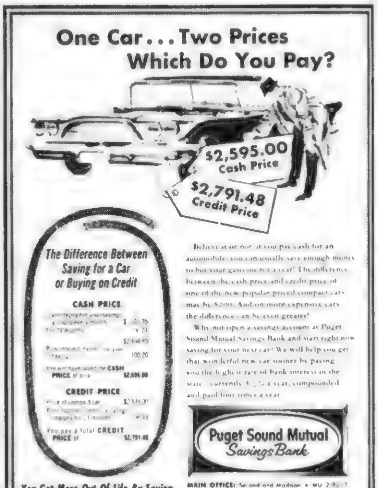
Preparations for this clinic included contacts with the American Bankers Association and the VBA, which furnished information, and joint conferences with the Retail Merchants Association.

Mr. Daniel started VBA's program with a note in the September 1960 issue of the association's news bulletin, in which he emphasized the PR value of the idea. The sponsoring committee outlined the plan in some detail in a later memo to the Virginia banks.

Credit, Cash Differences Shown in Bank's Ads

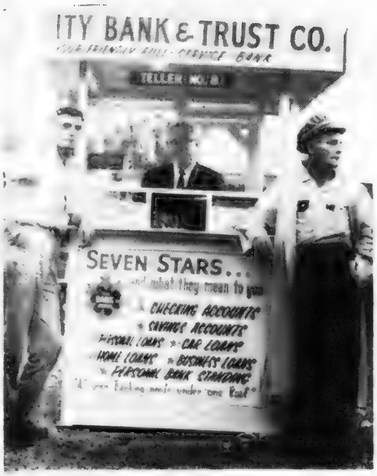
PUGET Sound Mutual Savings Bank, Seattle, conducted a 6-week newspaper advertising campaign showing dollar and cent comparisons between the cost of buying on credit and paying cash with savings.

The program had two objectives: as a public service, to make people



aware of the high costs and inflationary dangers of excessive credit buying, and at the same time to show them clearly the positive advantages of saving for a car, a cruiser, a trip, a color TV.

Each quarter-page ad talked about a major purchase. Copy had a provocative headline and contained a table comparing cash and credit costs. Each was illustrated with a drawing of the article featured, and



This teller's booth at the Warren County fair in Tennessee was a popular spot. At it the City Bank & Trust Co. of McMinnville made change and received concessionaires' deposits. The McMinnville Jaycees liked the service so well that their president, on behalf of the 61 members, wrote an appreciative letter to the bank. The booth promoted the "Full Service Bank" idea which City is featuring in its advertising

contained the slogan "You get more out of life by saving."

Comments were favorable, the bank reports. Some people wrote and others phoned to offer their compliments. President Roy F. Taylor said: "This has been one of our most successful newspaper advertising campaigns. We believe these ads definitely stimulated some people to an awareness of the cost of credit buying and will in some measure help in our battle against inflation."

The bank is considering another series of ads on the same theme next spring.

5 Banks Cooperate in Conference on Sales Technique and Training

From D. J. TOWNSEND, *vice-president, The Barnitz Bank, Middletown, Ohio, comes this report of a cooperative effort by five Ohio banks to strengthen their merchandizing programs.*

TIME was when few bankers considered the word "sales" descriptive of any part of their business. Modern banking is changing that approach by putting new emphasis not only on the word but on the techniques used by the sales organizations of other businesses.

An important aspect of this change is the increasing use of professional sales counseling by larger banks. Smaller banks, however, have faced a puzzle. They are as anxious as their bigger brothers for sales guidance, but sales counselors are scarce and often expensive.

Five Ohio banks—one city bank of considerable size and four others in smaller communities with assets ranging from $12,000,000 to $30,000,000—came up with a solution to this puzzle recently. They cooperated in holding a joint sales conference for their officers with a sales training consultant as leader.

The five banks are The Barnitz Bank, Middletown; City National Bank & Trust Co., Columbus; Coshocton National Bank, Coshocton; First National Bank, Cambridge; and Park National Bank, Newark. Together, they employed Larry Ronson, vice-president of Merrett-Adams Training Institute, Baton Rouge, La., to lead their official staffs through the intricacies of selling techniques.

Every officer of the five banks attended the conference—over 100 in all. Since the five banks are in different sections of the state, a country club outside Columbus was chosen as a central location for the meeting.

The conference was scheduled for late Sunday afternoon and evening to assure little conflict with other affairs. For two hours before dinner, Mr. Ronson spoke to the group on sales technique and planning. Following a dinner in an adjoining room, the bankers spent two more hours questioning Mr. Ronson and in open discussion of selling problems. The early adjournment was planned to allow everyone to return to his home that evening. The costs of the conference were pro-rated among the banks on the basis of the number of officers attending from each.

The managements of the five banks are enthusiastic about the results of the conference, and the officers who took part in the meeting are praising the idea as a genuine aid to them in their work. Already the banks are seeking other ways to put cooperative effort to work for the benefit of all five.

Boston Bank Aims News Radiocast at Businessmen

THE National Shawmut Bank of Boston is sponsoring a daily radio analysis of the news from the businessman's point of view. The commentator is Nate White, journalist, who has twice won the Loeb Newspaper Award for distinguished reporting of business and financial news.

In announcing the new program, Horace Schermerhorn, chairman of Shawmut's board, said that the program, "The Economy Today, was a "new concept in business news reporting," going "far beyond the standard radio business news broadcasts of stock market quotations." It will be "a penetrating analysis of business trends and opportunities."

Nate White, *left*, commentator for National Shawmut Bank of Boston, and Chairman Horace Schermerhorn

Another Item for the "Next Election" File

FIRST American National Bank of Nashville figures that more flags were seen in its city at election time 1960 than anywhere else in the U.S.A.

On Monday, November 7, in re-

sponse to a newspaper ad offer, thousands of residents came to the bank's 17 offices for free Old Glorys. It was the big finale of First American's get-out-the-vote drive.

The campaign started with the bank's own family. Giant postcards were mailed to staff homes reminding that registration was an essential preliminary to voting. The advertising and public relations department made a lobby display featuring the bank's trade-mark character, "Little George the *First* American," urging everyone to cast a ballot. The display included a voting machine with candidates' names.

The day-before-election ad in the *Nashville Tennesseean* featured George in three colors. Headline and copy made a strong case for voting; the offer of free flags got secondary College, billing.

On election night the bank sponsored local cut-ins on a nationally televised returns program.

Ranchers and Farmers at Texas Bank Opening

THE Victoria (Tex.) Bank and Trust Company had a real western opening for its new and enlarged facilities. Farmers and ranchers were invited, the staff wore western attire, and cow-camp-style refreshments were served.

More than 700 brands were displayed from the collection owned by Leonard Stiles of Sweeney, Tex. Ranchers brought their own branding irons to the bank where the marks were heated and applied to blocks of tanned leather which are now prominently displayed behind the teller cages.

At the public open house students from Victoria College, costumed to represent the six flags that have flown over Texas, were guides for tours of the bank. New facilities include an auditorium.

Tulsa Bank Celebrates in New Skyscraper Home

A 4-DAY celebration introduced the National Bank of Tulsa's 26-story skyscraper home, representing completion of a year-long million-dollar expansion program that provides, in the bank's slogan, "A New World of Full-Service Banking."

There were previews and open houses for employees, the Tulsa press, radio, and TV people, visiting bankers and the general public. On two days the bank put the open house on television with a half-hour filmed program and live telecasts from the lobby.

A special section of the Tulsa *Sunday World*, prepared by the NBT advertising and public relations department, described the building, presented the officers and explained key departments.

At the advance open house for bankers a TV station interviewed visitors. All windows in the building were lighted during the four evenings. Chairman A.E. Bradshaw and other officers shook hands with 5,500 people attending the public open house on a cold, blustery Sunday. U.S. Savings Bonds of $1,000, $500, and $100 denominations were door prizes.

Bank Announces Varied Common Trust Funds

THE Merchants National Bank of Boston used newspaper space to announce the formation of four new common trust funds. Supplementing

Lobby Display Takes Public into Space

SEVERAL eastern banks have shown a lobby display that's as up to date as tomorrow morning's newspaper. It's called "The American Space Effort 1957-1960." With the aid of three-dimensional models it presents in 10 panels the highlights of the National Aeronautical Space Administration's report to Congress. Another panel is a bulletin board for the latest space news clippings.

This department saw the show in the Bowery Savings Bank's main office lobby where many New Yorkers were satisfying their curiosity on such things as how rockets and satellites work, what a space station will look like, and the problems of putting a human into orbit. Previously the exhibit had been shown at the Philadelphia National Bank and the National Bank of Westchester, White Plains, N.Y. Its next scheduled stop was a midtown office of The Hanover Bank of New York.

Produced and distributed by Marwell-Haberstroh Exhibits, Inc., of Mount Vernon, N.Y., the panels tell the layman about rockets, space probes and space biology, the X-15, Projects Dynasoar, Mercury and Saturn, man on the moon, how space stations will be installed, and ships of the future.

At the National Bank of Westchester, which featured the exhibit as a public service, Mr. Haberstroh lectured to 40 science teachers on the subject matter of the display. Later the teachers brought their students to the bank and gave their own talks on the material.

★

Part of the space display in the lobby of the Bowery Savings Bank's main office on East 42nd St., New York City. The exhibit has also been shown in commercial banks in the East

★

Cover of special section

its balanced fund started in 1951, the additions are a bond fund, a municipal bond fund, a stock fund, and a capital fund.

In announcing the service, Vice-president Joseph H. Wolfe said he believed Merchants was the first bank to provide its customers with such a variety of common trust service.

"Operating five separate funds, instead of the customary single fund, permits each its own separate and clearly defined investment objective," he explained.

Bank's Symbol Talks in Sunday Paper Section

THE story of The Meadow Brook National Bank, West Hempstead, N.Y., was carried to readers of *The New York Times* in a special 16-page advertising section of the paper's metropolitan edition—circulation nearly 900,000.

Titled "The Life and Times of Mr. Meadow Brook: an Autobiography of a Symbol," the smooth, informal narrative lets the little man who is MBNB's advertising character recount his own origin and the part he has had in the bank's service in Nassau County and more recently, through mergers, New York City.

An introduction by Board Chairman Augustus B. Weller talks about symbols and their importance, and the creation of Mr. M.B. to meet the need for a humanistic approach to commercial banking. The story unfolds in eight chapters.

Meadow Brook sent copies of the section to the chief executive officer of every bank in the country, to its stockholders and to brokerage houses. Extra mileage came through promotional distribution by the *Times.* It was the paper's first advertising section presented by a commercial bank.

Old Bank Adopts a New Symbol

AS you probably know, The Chase Manhattan Bank, New York, has a new symbol—an octagonal design.

The bank's newspaper, the *News*, quotes the description given by the designers, Chermaye & Geismar Associates:

"A simple yet powerful geometric form embodying a strong feeling of motion and activity. Although self-contained, it is divided in such a way as to suggest forward motion within the framework of control. Like the bank itself, the symbol is a single unit made up of separate parts.

"The activity is centered around the square, suggesting growth from a central foundation. As an abstraction, the symbol is in keeping with the trends in modern design. As the same time, the octagon is reminiscent of ancient coins, implying both banking and tradition."

"50" Featured at Bank's Golden Jubilee

LOUISIANA National Bank, Baton Rouge, celebrated its golden anniversary with open houses, displays, and extensive use of the figures "50."

For example, there was a drawing for 10 bags of silver, each containing $50. A $50 savings account went to the first baby born on the anniversary date at each of the two local hospitals. The 5-story time and temperature sign on the front of the building was set to register "50 Years" alternately with the time. Large commemorative seals bore the featured numbers—and the bank gave $50 checks to employees completing the requirements for the pre-standard certificate of the American Institute of Banking.

In the main office large photo murals showed ads, pictures and other mementos of a half century ago. The stone engraving from which the old First National Bank check was printed and a picture of the girl used to advertise the bank 60 years ago attracted attention.

Passersby and staff watch new "house flag" hoisted at a Chase Manhattan branch in New York. It bears bank's new symbol

Directors and employees were guests at an anniversary dinner, and there was a gift for Vice-president J. A. Clements, 50 years with the bank.

The bank is distributing in its jubilee year "New Spending Guide for Thrift-Minded Families," a simple work book for family finances.

"We hope it will help you live within your income," says the bank, "and at the same time help you save systematically for future opportunities or emergencies."

Lobby of Louisiana National Bank during 50th anniversary celebration. The large pylon featured old ads, portraits, organization papers of the bank, and other reminders of a half century ago

At the open house celebrating the 50th Anniversary of American National Bank and Trust Co., Rockford, Ill., a gimmick popular with the 10,000 visitors was having one's picture taken in settings prepared for the occasion—like this one.

Australian Artist's Friendship Crusade Builds Goodwill for Banks

An Australian artist, Gordon Currie, is conducting a nationwide "Crusade for Friendship" in this country, and banks have a part in it.

War correspondent and official war artist, he was selected to visit the United States on behalf of the Returned Soldiers League of Australia to make a presentation to the President.

"I liked the country, and I liked the people," Mr. Currie says, "although I felt that a great number of your vast population had forgotten how to laugh (particularly at themselves), and did not know who their real friends were. I decided to expand my mission. I wanted to sell a better understanding of the Australian and the American ways of life.

"It took several years to develop my plan, and during this period I was columnist for the Los Angeles *Mirror* and also star of 'Currie's Corner' on ABC-TV. In 1954 I set out on a nationwide tour with my Crusade for Friendship through the presentation of caricatures and portraits of world leaders in the lobbies of banks—the first tour of its kind in the history of banking."

As noted in BANKING'S November 1960 issue, Artist Currie's first appearance was in the First National Bank in Dallas where thousands jammed the lobby to see his gallery and get free copies of his portraits of President Eisenhower and Queen Elizabeth, and his "in person" caricatures of visitors.

His display, widely publicized in papers throughout the country, has since expanded and is now valued at about $100,000. It has been shown in many banks.

Mr. Currie writes, produces, and appears in a TV special in each city he visits, makes guest appearances on radio and television, talks to schools and service clubs, provides localized stories with caricatures.

"I do not set out just to attract new business," he emphasizes. "I am interested in selling friendship. Whenever you develop enough goodwill, new business is automatically forthcoming.

"For five years' association with America's great commercial banks I am indeed grateful."

Quickies

Here are more "ideas in brief" gleaned from the Financial Public Relations Association's recent convention.

SAMPLE. The Citizens and Southern National Bank of South Carolina, Columbia, gave away a card with a 25-cent piece attached. This 25th anniversary feature created conversation and brought favorable comment.—*Mrs. J. S. Baskin.*

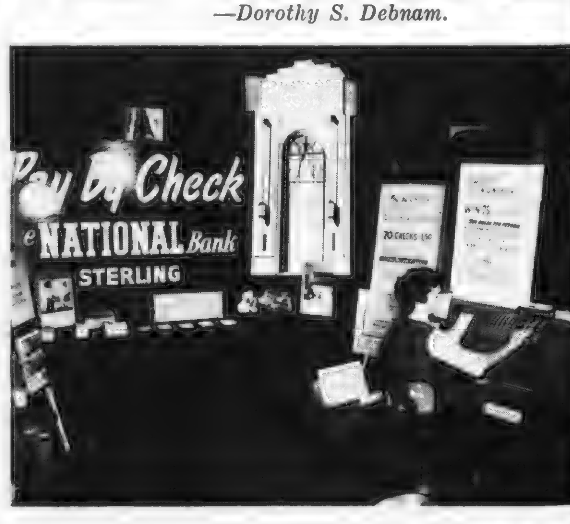
12 REMINDERS. Rhode Island Hospital Trust Company, Providence, gives pocket face tissues, with the bank's imprint on the cover, for PTA bridges and other civic organization meetings. This useful item creates 12 impressions for the bank—one each time a tissue is taken from the pack.—*Warren O. Evans, Jr.*

NEW CARS. Jenkintown (Pa.) Bank & Trust Company's most successful new idea in recent years is the annual "Parade of New Cars." It's held in the paved area in front of the bank each fall. Auto dealers display two of the new models; a card identifies each dealer. No more than two cars are on display at one time. Dealers financing through the bank have a week, others are allowed three days. The parade runs from October through Christmas, attracts wide attention, has the dealers' goodwill. Cost: nothing.—*Thomas R. Birch.*

MODELS. Fifth Third Union Trust Company, Cincinnati, makes use of its own people, so far as possible, in its newspaper ad photos. Staffers appear in their actual capacities at the bank. Reprints of the large space insertions are mounted and displayed in the branches.—*Sam Kendrick.*

FACULTY LUNCH. Twenty new college faculty men were welcomed to Charleston by the Citizens & Southern National Bank of South Carolina at a luncheon in the bank's dining room. General Mark W. Clark, president of The Citadel, Dr. John Cuttino, president of the Medical College of South Carolina, Dr. George Grice, president of the College of Charleston, and Mayor J. Palmer Gaillard were also invited. One result: several new accounts. —*Dorothy S. Debnam.*

The National Bank of Sterling, Ill., used this booth at the Illinois Merchants' Trade Fair. Dominating the display was a "Pay by Check" highway sign. A bookkeeping machine was also featured



New Business Right in Your Lap

Try Your Present Customers, Says This Banker

SOME quick questions: Do you keep accurate records of how many new accounts (by type) are opened and closed daily? Which new account representatives are more successful in selling? Do you keep a daily record of services sold per contact by these representatives? Have you talked with the person who sells several services per contact to learn what he or she says that's different, more effective? Have you had a training session to spread these successful selling techniques among all your new account people?

JAMES H. NEWBURY, *assistant vice-president, Wachovia Bank and Trust Company, Winston-Salem, N.C., says that more business from present customers is available in five principal areas: the new accounts desks, staff sales program, officer call program, the board members, and the loan officers' selling contracts. Reporting to the Financial Public Relations Association he discussed these opportunities for service-selling. Here is a condensation of his suggestions.*

New Accounts Desks

One of the best times to get more business from present customers is *while they are becoming present customers.* Most of them begin with only a checking account. Most would agree to use more services if *really sold* on the advantages and not merely asked if they were interested.

Let's suppose you're not satisfied with selling just one service and do a little merchandising. When that customer comes in, let's approach this way: "Mr. Doe, we have three types of account in this bank: our 2-Plan, our 3-Plan, and our 4-Plan account." (Note use of the singular word account.) He has to ask "What's the 2-Plan, 3-Plan, and 4-Plan account?" since you've combined more than one numerical factor with a singular subject. There's a built-in teaser in this approach.

You reply: "Mr. Doe, our 2-Plan account is what we call minimum, convenient banking service. It combines our low-cost, Regular or Special Checking Account with our interest-earning Savings Account. . . . But our 3-Plan account offers even more. It includes our free save-o-matic service whereby any amount you specify is automatically transferred each month from your checking account to savings. But Mr. Doe, our 4-Plan account is the most popular of all: it gives you low-cost checking service, plus your interest earning savings account, plus automatic saving, plus what we consider the biggest bargain in banking today, our safe deposit box service. . . . Now Mr. Doe, which plan appeals to you?"

Given this alternative, the average customer will choose either the 3-Plan or 4-Plan account, offering a tremendous increase in sales of services. But even if he's chosen the 2-Plan, you've sold two services instead of one, and if he still says he wants only a checking account, you've sold no less than you did before.

This isn't pressure, *it's simply creative selling.*

A Staff Sales Program

How do you get additional business from present customers who are not using all your basic retail services? To fill this gap, many banks are beginning low-pressure, long-range, and continuing staff sales programs for tellers and direct loan men. They're based on recognition and competition, backed up by sales training. Properly planned, supervised and backed by management, they can increase usage of retail services by *your present customers from 10% to 50% or more.*

Tellers can be trained to sell. In 1959 *Wachovia's 315 tellers solicited some 54,000 present customers in the bank.* From these solicitations they and contact staff sold *21,000 new accounts and additional services for a selling average of 38%.* In other words, tellers sold better than 1 out of every 3 persons they solicited. This is no campaign or contest; it's a continuing program in operation more than five years.

Each teller has a minimum quota of one good selling solicitation each banking day and one sale of an additional basic retail service each week. Most tellers make their quotas. All this business is in addition to walk-in business.

Officer Calls

When an officer visits a commercial customer, does he sell not only the head man but the second, third, and fourth—the men who soon may sit in the chair where account decisions are made? Do your calling officers sell the office manager, secretaries, or clerks on doing their individual banking with you? In short, do they sell down the line, or stop with the top executive?

Directors Can Help, Too

Do you have their personal banking and trust business? Have you asked them for it? Do you have the commercial accounts of their principal business affiliations? Have you asked for them?

Have you asked your directors for help with specific customers to whom you're trying to sell additional services, or with prospects?

So Can the Loan Officers

How many retail services do your commercial loan officers sell in their daily contacts? Check your note blotter for a recent month. Cross check the names against your retail service ledgers. See how many services these people are using.

How many retail services do your direct loan men sell in making loans to repeat customers or in reviewing loan applications? "Repeats" are an excellent source of new business. See how many of these continuing borrowers use no other service.

To get more business from present customers *find out how much business you're getting now.* Then measure your present services against the potential and plan to get at the market you're missing.

Bank Explains MICR, Sells Checks in Lobby Show Run by the Staff

Numerous banks have introduced their new electronic check processing systems with demonstrations and displays of the equipment. First National in Dallas is one of those taking considerable pains with its exhibit; the bank also gave the employees an early preview of the magnetic ink program and kept them in touch with the program's development on the theory that they'd be better salesmen if they understood the product. Furthermore, the bank set up a check order desk near the display and did considerable business.

In the belief that others will be interested in details, we offer this case history prepared by Bob Tripp of First's advertising department.

FIRST National Bank in Dallas sold its MICR program to customers and public with a staff-conducted lobby demonstration of the new reader-sorter and proof inscriber. The equipment worked during business hours from November 7 into Christmas Week, showing lobby crowds the marvels of electronics as represented by magnetic ink imprinted checks and deposit slips.

Long before the IBM equipment arrived the bank decided that some visual education would help switch personal account customers to the new checks. An elaborate set was designed for the machines and for a large photo showing all components of the system that would not be displayed. A 5-foot blowup of a personalized check was wired so that separate strips of neon tubing would light up the transit and routing field, the account number field, and the amount field.

While the exhibit was being organized, the bank's advertising efforts in all media were directed toward sale and use of fully personalized checks. The slogan was "Be a V.I.P.—a Very Identifiable Person," and the emphasis was on the identification gained not only by having name, address, and telephone number on each check, but also in the MICR imprinting itself.

Feeling that the technical aspects of the display should be underplayed, the bank decided to use its own personnel to explain, in layman's terms, what the equipment would do. A 10-minute demonstration script was prepared by the advertising department and two young men from the training program were selected to devote full time to the project.

To make the reader-sorter's action as clear as possible, decks of 500 checks were printed in 10 vivid colors. Account numbers were so keyed that when the machine was sorting on the second digit all the green checks were dropping into the first pocket, the red into the second, etc.

Public demonstrations began on a Monday morning, coincident with 1,200-line newspaper ads picturing the machines and inviting the public to the bank. Mobile television cameras were rolled into the lobby for videotape shots. These commercials, started that evening, asked the public to come and see what was going on, and provided brief glimpses of the machines in operation. Radio spots also began the same day. More than 1,100 personal invitations went out to friends in banking.

Adjacent to the display, a check order desk was set up, with a teller assigned to it during banking hours. Many customers moved directly from the demonstration to the desk and ordered their new checks. And many made repeat visits to the lobby to see the equipment at work and to ask questions.

Telling the Staff

Staff preparation began months in advance. Prior to the public announcement, a card—"First Family Is Expecting Again . . ."—went to each employee. It showed the newly designed check and sketched the proposed new program.

At a series of small group meetings President Robert H. Stewart III introduced the system to the staff and an officer from the automation team explained the prospective operation. Not until all the personnel had been thus informed was the story released to the newspapers.

Printed bulletins have kept the staff abreast of progress, always in advance of announcements to the public.

Essentially, the bank has proceeded on the premise that its employees would help to sell what they understood, and it has been diligent in telling its own people first.

Lobby traffic in the First National Bank in Dallas watches a demonstration of the reader-sorter, *center*, and proof inscriber, *lower left*. Bank personnel explained the new system and sorted sample batches of checks. A check order desk is directly behind the demonstrator

. . . . . Trends in Mortgage

THEODORE VOLCKHAUSEN

Decline in Home Starts

Forecasts of the degree to which home starts will fall behind the 1,553,000 figure for 1959 run from a substantial 15% to the very substantial 20% estimate of the Department of Commerce.

By the end of this month the final figures should be available and the odds are they will be nearer the 20% estimate.

Outlook for 1961

We are now in the season for forecasting what will happen in 1961 in the fields of housing and mortgages. Although predictions about this year's home starts can be nothing but the purest speculation they are, nevertheless, being issued and we hear that a sharp pickup in home building the second half should result in a 2% to 5% improvement over 1960.

This will make 1961 another poor home building year by postwar standards although accurate comparison with years prior to 1959 has been made practically impossible since the methods of computing starts were revised that year.

1961 Total Depends on Spring Sales

Home sales are slow and will continue seasonally slow throughout the winter. There is no disagreement about that. **Hopes for improvement rest with spring sales.**

If these show a worthwhile gain over the same period of 1960, optimism will rise and builders will plan to expand their operations. The majority believes this is probable.

It must be remembered, however, that **even the sharpest revival in sales cannot effect a marked improvement in home starts until four to six months later.** It takes that long for substantial home development programs to reach construction.

Supply of New Mortgages Dwindling

All this points to a dwindling supply of new mortgages coming available and this trend cannot be reversed until late August or September at best. It is on the basis of this late pickup that predictions for improved starts are held to the low estimates of 2% to 5%.

Increase in Mortgage Funds

During the same period, savings appear slated to flow on a rising scale into institutions which invest primarily in mortgages.

This improvement has continued for the past four months and it appears paradoxical that in the last two months rates on conventional mortgages have held quite steady in spite of the fact that the supply of new mortgages becoming available dwindled at a faster pace.

Certainly, on the average, mortgage yields have not declined to the extent expected by most observers, except in a few centers where savings bank money is heavily concentrated—such as the Boston area.

Lending

Editor, *Bankers Research*, a newsletter

Secondary Market Yields

Secondary market yields on mortgages for immediate delivery have not showed the same staying power. Mortgage bankers are convinced that these will continue to decline because of the extreme scarcity of these loans . . . and no end in sight for these scarcities. Changes in the price of **mortgages for future delivery** have been minor.

Conventional Mortgage Yields

Lenders handling mainly conventional mortgages believe that **for the next three months they can continue to acquire them at, or very close to, the yields prevailing today.** After that, they say, it will depend on the over-all sales outlook and the prospects for a business upturn by midyear.

If by that time the outlook is still unfavorable for a decided improvement in business sentiment and a strong revival in home sales, there is likely to be a scramble for mortgages which will drive yields down sharply.

Reluctance to Reduce Rates

Right now **there is a decided reluctance to reduce mortgage interest charges** because the prevailing belief is that business will be so much improved in the second half that over-all loan demand will be increased to where rates must go up again.

There are many mortgage lenders who are having no trouble in getting an adequate supply of loans at yields within a quarter of a point of those obtainable six months ago. They usually are found among those who have diversified portfolios.

They lend on new homes, on older homes (returns are generally somewhat better on these), on apartments, and on commercial properties.

More Liberal Loan Policies

With more money on hand, it is easier for the borrower who wants a high percentage loan to obtain it. Such a borrower is more often willing to pay a little more for his loan. **Also the "not quite so good credit risk" is receiving more consideration.**

Those lending on this basis are willing to agree that it may make for higher delinquency ratios but they say they are doing it on a calculated risk basis . . . that they can keep delinquencies down and losses at a minimum through spending more time and money on collections.

Mortgage Delinquencies

Mortgage delinquencies have risen somewhat in the past year. The Mortgage Bankers Association finds that for the first nine months the ratio was 2.41% against 2.23% for the same period in 1959. Conventional loans have the most favorable record.

There has not been a significant increase in **foreclosures,** but where these have occurred there have been more cases where difficulty was encountered in disposing of the property.

The days when rising real estate prices practically guaranteed lender and buyer against loss appear to be over.

Douglas Dillon

(CONTINUED FROM PAGE 44)

economic growth is difficult to exaggerate. We are dealing here with one of the major issues of our times. The continents of Asia and Africa, also Latin America, are in ferment. . . . They need outside help. . . . The political shape of the world of the future is here in balance."

Mr. Kennedy has had considerable to say on the role of interest rates and the Federal Reserve System in U.S. growth. The degree of independence of the Fed has been brought into question. Mr. Dillon, we may be sure, understands the dangers of too-easy money. Certainly his frequent and friendly contacts with Board Chairman Martin have kept him abreast of the problems of money management. In the Treasury he must make important decisions of debt management, provide guidance on tax reform, and adjust to the economic posture of the new Administration. The new Secretary will have plenty of homework. Fortunately, he is not afraid to read long reports.

While Mr. Dillon is more composed than Mr. Anderson in his approach to our balance of payments problem, he is reported to approve in general the steps taken by the Eisenhower Administration.

David Bell

(CONTINUED FROM PAGE 44)

ters—especially economic and budgetary. A chief responsibility was in connection with speeches and messages to the Congress.

In addition to his experience on the budget and administrative matters, he spent the better part of three years, starting in 1954, helping the Pakistan Government in economic development as head of a Littauer School mission financed by the Ford Foundation.

Harvard colleagues—according to the *Washington Post*—describe Mr. Bell as the sort of economic liberal who respects the principles of sound finance. "He is more concerned with the aims and purposes of Government expenditures than in seeing that the credits equal the debits," the newspaper reports. "He is convinced," they say, "that the budget is a device for achieving social ends, not simply sound dollars."

What a Credit Rating Signifies

In this, the conclusion of a two-part article, the author turns his attention to the "Blank" ratings and the "Numeral" ratings, what they mean, and the circumstances under which they are assigned to a business listed in the Dun & Bradstreet Reference Book. *Last month he described the meanings of the High, Good, Fair, and Limited ratings, which are the ones assigned to most listed businesses.*

MR. KUEHN, *director of education for Dun & Bradstreet, confines himself to commenting on the key to ratings applied by that company to more than 3,000,000 concerns in the United States and Canada.*

HAYDEN KUEHN

WHEN the user of the *Reference Book* looks up a name, most of the time he finds a credit rating which indicates estimated financial strength and composite credit appraisal. This does not mean that he can necessarily make an immediate decision. He may wish to call for a report and examine it carefully. On the other hand, he may be able to stop right there. Let us say that he is holding a small order from a firm rated B+ 1. Depending on circumstances, he might ask his secretary to fill out an inquiry for a report, or might say, "Let this order go through—open a file."

But when he sees a "Blank" after a listing of a concern, the situation is different. The *Reference Book* describes the "Blank" as follows:

> "The absence of a rating, expressed by the dash or two hyphens, is not to be construed as unfavorable but signifies circumstances difficult to classify within condensed rating symbols and should suggest to the subscriber the advisability of obtaining additional information."

You might think of the dash as if nothing appeared after the name. You might imagine the letters SMI (Suggest More Information) in place of the blank. Any designation might have been used in place of blank.

If a concern is "Blank," that does not mean that the concern is, per se, unworthy of credit. Many concerns rated "Blank" are strong—many are poor risks.

The reporter may not be able to present information adequate to support a capital and credit rating. The rating is a reflection of the tenor of the report. Even if the reputation of a concern is excellent, if the reporter, in spite of all his efforts, cannot obtain certain facts and figures he needs to present in the report, he can only suggest that the subscriber read the report, note the favorable features, and also note the absence of detailed financial or other information.

If the antecedents of a principal are not obtainable, or if reasonable assurance as to who runs the business is lacking, the reporter assigns "Blank."

If the business is under a general extension, bankruptcy proceedings, receivership, or court reorganization, the rating is "Blank."

Since the reporter in assigning the "Blank" is saying the business cannot be adequately summarized with only two symbols (rating), he suggests to the credit man that the next step is to obtain all the readily available data on the subject and then make a decision.

Sources of Information

What are the sources of the needed information? Here are a few:

- The banker frequently has certain information right within his own organization.
- Then there are the usual outside sources of information.
- Generally the quickest and the most economical way to resolve the problem is to examine the Dun & Bradstreet report.

Many D&B reports classified as Blank contain quite detailed information, just as detailed as the reports on rated businesses. However, even when financial information is sparse, there are ordinarily contained in the reports clues as to the size and responsibility of the business. Frequently the business may be fairly large, because in the smaller businesses it is generally possible for the skilled reporter to ascertain conservatively the worth involved. The description of the property occupied, the type and size of equipment and the number of persons employed, gives information as to the size and responsibility of the enterprise. The fact that certain information is withheld may be in itself revealing.

The amount of information needed is not the same for every subscriber, even when the amount of credit involved is the same.

While in some cases the information or lack of it precludes the assignment of a full capital or credit rating, reporters strive continually for information that will provide a comprehensive picture of a business. Their desire is to furnish a classification as to composite financial strength and composite credit appraisal in every instance where such action is warranted.

So, to eliminate misunderstanding, we repeat: when you see "Blank" in the *Reference Book* do not conclude that there is no report. There is, or it would not be Blank. Nor should you conclude that this is the reporter's way of saying—"Don't extend credit." There are no symbols which mean that.

Nevertheless, there will always be cases where more is needed than can be reflected within a condensed symbol. The reporter points out these with the "Blank."

If a concern is "Blank," that does *not* mean that there is no report, or a lack of information. There is a Dun & Bradstreet report on every name listed in the *Reference Book.* Some reports on concerns classified as "Blank" are as comprehensive or

even more detailed than reports on concerns assigned capital and credit ratings. In other cases, however, concerns are classified as "Blank" because certain information which the reporter considers basic for the determination of a rating could not be obtained.

Suppose you see a concern with a Blank rating. You request a report. As you read it, you find: Financial Condition—Excellent . . . Payments —Discount.

You say to yourself, "Why is *this* Blank? Is there something I don't see?"

One Reason for a "Blank"

The key may be in the history. A few years ago, you note, one of the principals was convicted on a charge of commercial fraud. In view of the present strong financial condition and discount record, one subscriber may elect to grant credit on regular terms; another may extend credit, but insist on secured terms, while in a third instance the record may have even greater influence, for example, to an investment company asked to grant a long-term credit. The reporter's way of calling this flaw to the attention of the subscriber is through the "get-more-information" symbol, "Blank." For regardless of what significance the subscriber places upon the flaw, the reporter understands the subscriber should be informed of it.

Additional Examples

Let us say a business proprietor has recently emerged from bankruptcy. Following a failure, the reporter assigns "Blank" because he believes subscribers should know about the recent past bankruptcy before making a decision.

Sometimes a concern under very reputable management is set up with small capital and large loans, a situation that cannot be reflected by symbols provided in the rating key. If a subsidiary, for example, has some $45,000 capital, but is doing business of $4,000,000 through advances from the parent, together with heavy credits from suppliers, the reporter feels that a capital rating of D ($35,000 to $50,000) will not properly reflect the size, and a composite credit appraisal of "High" or "Good" is not quite in order in view of the unbalanced financial condition.

A business, let us say, has been paying its bills slowly and the reporter continues a "Fair" or "Limited" rating. Then sales fall off and past due debt begins to pile up to the point where the reporter sees a distinct possibility of loss to creditors or at least long delay in collecting. Again these changed circumstances constitute a situation about which a prudent grantor of credit should be informed before acting, a suggestion conveyed by the "Blank."

Those in charge of a large and important wholesale business made a contract to purchase the controlling stock in the company. The terms of the contract called for substantial payments to be made each quarter on the purchase price, and if these were not paid control reverted to the previous owners. Although other factors were quite favorable, the funds for the new owners to pay the obligation would have to come from the business. Hence, the prudent Credit Manager would want to know of this purchase agreement, and follow the account rather closely until payments were finally completed.

The great bulk of all businesses listed in the *Reference Book* have been assigned a full rating as to estimated financial strength and composite credit appraisal.

A smaller proportion of concerns have no rating after their listings. These are the "Blank" listings just described. A still smaller proportion of business listings are followed by "Numeral" ratings.

The reporter strives to classify a business with a full financial strength and composite credit appraisal rating, but occasionally he encounters a case where all the information he has gathered leads him to believe the concern is quite responsible and yet he is unable to assign or support in his report a capital and credit rating. Neither does the "Blank" classification quite apply.

In such cases the reporter assigns a "Numeral" rating. The "Numeral" rating is shown in the *Reference Book* as a number only—a 1, 2, 3, or 4.

Three Cases for "Numerals"

- A man had a successful business. Upon his death his estate is appraised at $75,000. The will provides for the continuation of the business, but how much of the $75,000 can be made available for the operation of the business may be questionable.

The reporter assigns a "2," which indicates a broad range of $20,000 to $125,000. He reasons that the indefinite numeral better describes the situation than the more definite D+ ($50,000 to $75,000).

- A concern worth $900,000 is profitable and in sound condition. The president is quite willing to discuss finances, and in fact each year shows the reporter audited financial statements. But the president asks that the financial condition be described in general terms only.

Since the reporter is unable to gather figures in other quarters and cannot publish even the minimum of figures such as current assets, current liabilities, and tangible net worth, he cannot support an "A+ A1." He assigns a "1."

There is an important point here. The rating is a reflection of the tenor of the information assembled in the report—not just the knowledge in the mind of the reporter.

- An inventor has developed several machines which are used widely. He still does some manufacturing on his own account, but generally gives others the right to manufacture un-

(CONTINUED ON PAGE 82)

This sample shows how concerns are listed in the D&B Reference Book

	59 12	Lazongo Gilbert	Drg	G 3½
	52 12	Leacher George	Bldmtl 7	J 3½
	56 65	Leadring Roger	Sh	G 3½
	59 42	Lemonger Book Shop	4	H 3½
	27 51	Lester Irving & Co NR	Prtg	F 3
	54 11	Marble John J	Gr 3	K 3½
A	17 95	Marvula Antonio	Wrecking 0 Cntr	E 3½
	55 21	Mays Herbert T	UAts 6	E 2½
C	56 12	Meters Store	Mcl 4	D 1½
	53x92	Meyers Horace O	DgSstn	G 3½
	17 31	Mitchell Lester & Son	ElcCntr	H 3½
	52 41		Elcsup	
A	73 31	Neffler Displays	Advg 0	G 3½
	55 41	Neffling George	Sstn	H 3½
	54 41	North Hubert H	Cnf	K 3½
	58 13	Northamber Bros	Tav 6	— —
	76 95	Oldstern John G	Lsmith	F 3
	17 61	Oliphantte H E	RoofgCntr 6	C 2
	75 38	O'Nealson Marion	Atrp 5	H 3½
	59 71	O'Niece Harold	Jly	— —
	56 12	Phillipson G N	Mcl	D+1½
	50 44	Poultry Outlets	9	F 2½
	56 21	Prall Store	Wnwr	C 2
	15 11	Print Builders Co*	GCntr 4	F 3
	27 51	Printing Center	ComlPrtg	E 3
	27 61	Printing Shop Inc.	BusinessForms	F 3
	50 99	Quilman Herman M	Petrpdt	E 2
	27 89	Randall Chauncey P	Bbdr	E 2½
	55 11	Randalman Motors Co	At[illegible]	C 2
	58 12	Reimerson Harry J	Rst 4	— —
	72 61	Rigging & Co	Mort	F 3
A	50 72	Robertson Hardware Inc*	0	D+ 2
	55x41	Sawson Gregory U	SstnDrg	D 1½
	58 13	Statson Restaurant	Tav	H 3½
	50 43	Winler Ralph H	Darpdt	F 3

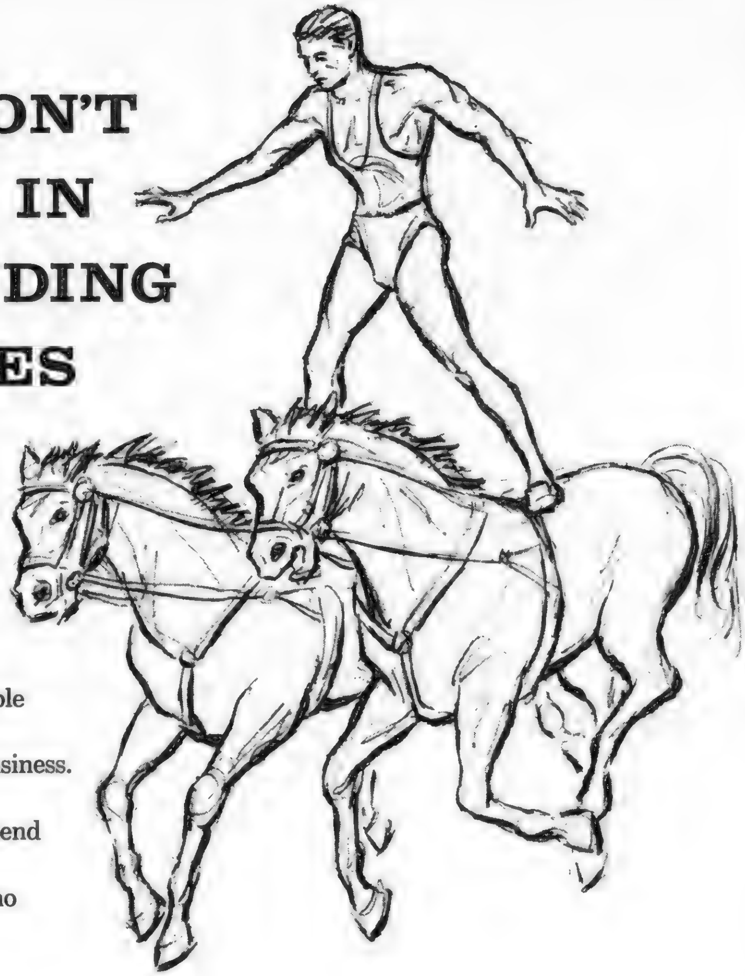
CRITON 12,971 Sheffield 81

ANON TR CO $213M
J W Thompkins Pr G L Edwards Cas
HARTER TR CO . . . . (Br of Kneeland)

55 41	Anderson Clement	Sstn	G 3½
17 31	Aronow Electric Supply	Cntr	2
32x81	Artful Tile & Stone Inc		D+ 2
50 62	Arts Electric Supply		— —
49 41	Arvin Wells Inc		B+1½
56 12	Astor Apparel Shop Inc		D 1½
34 61	Astro-Metal Products Co	Met Stamping	F 3
59 97	Atomic Sales Inc	Gifts 8	G 3

Names on this page are fictional and used for display purposes only.

<u>WE</u> DON'T BELIEVE IN RIDING 2 HORSES



. . . that's why our facilities are available *only* to Financial Institutions and Insurance Agents who handle such business. In the interest of plain, common "horse sense," we do not solicit or extend Agency Contracts to automobile, mobile home or small boat dealers who are not self-financing.

The American Plan Corporation, specialists in the field of Consumer Credit Insurance, has pioneered in the creation of simple insurance packages constructed to fit the dimensions of the particular Financial Institution and Insurance Agency.

Our package plans include Physical Damage coverages and Credit Life and Disability Insurance related to the financing of automobiles, mobile homes and small boats, and our program includes all of the protective coverages so necessary to sound lending practices—Errors and Omissions, Single Interest and Dealer Wholesale Insurance.

Our varied programs, each of which is supported by our technical skills and statistical services, have been installed and acclaimed by Lenders throughout the United States and Canada.

Without any obligation whatsoever on your part, we will be pleased, upon request, to analyze your insurance program.

THE AMERICAN PLAN

THE
American Plan
CORPORATION

The World's Largest Management Corporation
Specializing in Consumer Credit Insurance for Financial Institutions

MARK M. HART, PRESIDENT, 99 PARK AVE., NEW YORK 16, N. Y. • OXFORD 7-1545

(CONTINUED FROM PAGE 80)

der his patent. The inventor-manufacturer—let's call him Peabody—is now semi-retired.

When a reporter called upon him, Peabody said that 70% of his income came from royalties during the past year. In outside quarters it was learned that a recent balance sheet on Peabody's business showed a strong financial condition, with a net worth of well over $100,000. There were practically no liabilities. The valuable patents made up a good portion of the assets. Peabody is also credited with substantial means outside the business.

Everything the reporter learned pointed to strength. The only problem is what capital rating to assign to indicate size, where two assets are difficult to pin down—the patents and the outside personal means. The reporter assigned a "2," indicating that the estimated financial strength, while not definitely classified, was presumed to be between $20,000 and $125,000.

Notice that in each of these instances there is evidence of stability. The "Numeral" is not a "no-information—but-wonderful-people" rating. The "Numeral" rating is not a "pay" rating. It is *not* designed to indicate that "1" means discount, "2" prompt, and "3" slow.

For practical utility in interpreting the numeral ratings it is suggested that the banker seeing a numeral in the *Reference Book* on a concern, think of it as High or Good composite credit appraisal. Thus the numeral rating "1" would be assigned to cases which, if more definite information were obtainable, would likely be classified in the range of the following:

Aa	A1	Aa	1
A+	A1	A+	1
A	A1	A	1
B+	1	B+	1½
B	1	B	1½
C+	1	C+	1½

Likewise, the numeral rating "2," where similar circumstances were applicable, would likely be applied to cases in the range of:

C	1½	C	2
D+	1½	D+	2
D	1½	D	2
E	2	E	2½

In practice, the numerals "3" and "4" are infrequently used.

Speakers at the New England Agricultural Credit Workshop in Laconia, N. H., included, *left to right*, Charles A. Bauer, materials handling specialist, Charles H. Hood Dairy Foundation, Boston; W. J. Barrett, president, New Hampshire Bankers Association and president, Nashua (N.H.) Trust Company; Harry R. Mitiguy, agricultural economist, Federal Reserve Bank, Boston, and program chairman; Rodney O. Martin, agricultural engineer, Charles H. Hood Dairy Foundation, Boston; W. F. Henry, head, Department of Agricultural Economics, University of New Hampshire, Durham; and Philip H. Butterfield, president, Concord (N.H.) National Bank. The program emphasized new developments in agricultural policy, dairy building, materials handling, and developing more demand deposits from farm oriented businesses

News for Country Bankers

This department is edited by MARY B. LEACH *of* BANKING'S *staff*

Mortgage Problems Faced by Country Bank

IN a rural community which recently has become industrialized, such as Clearfield, Pa., the banks extending mortgage loans are faced with new problems. Clearfield has had an influx of people both in the common labor class and in the higher salary brackets. Asbury W. Lee, III, president of The Clearfield Trust Company, explained some of his bank's difficulties at a lending conference of the Pennsylvania Bankers Association:

To begin with, the new residents are accustomed to city or suburban banking procedures and carry with them the idea of urban property values in contrast with the lower values in the rural community. Even though they can buy a home at a lower cost, they look at it in terms of not being able to borrow as much on a mortgage.

When it comes to the maturity of the mortgage, a former urbanite, Mr. Lee feels, is not so much interested in how much they are going to borrow or for how long a loan will continue as they are in how much their monthly payments will be.

"We sometimes have to all but draw them a picture or a graph showing them that after 16 years they would pay back as much in interest as they would be borrowing," Mr. Lee said. "This comes as quite a shock to them. In the Central Pennsylvania area it is almost common practice to keep our maturity on conventional mortgages within 15 years maturity, and, at our bank, we have a rule that the monthly payments should be 1% of the original amount of the mortgage, which makes the maturity a little less than 12 years."

Mr. Lee said that as a result of the mortgage money tightening, the Clearfield Trust has reduced the size of its lending area to restrict it to a zone close around Clearfield.

"It is rather a nice thing to be able to say to an applicant who is well outside our area that we cannot consider his application because of the location when actually it would have

(CONTINUED ON PAGE 86)

Hunterdon County National Bank, Flemington, N. J., gave support to the first show of the 77-member County Holstein Association by offering a plaque for the Grand Champion Female. Ninety-seven Holsteins were entered, thus making the show the largest in the state. In picture, *left to right*, Don Seip, Easton, a judge; Martin Stout, Jr., an exhibitor; and Dwight M. Babbitt, a Hunterdon County National Bank vice-president

"I grew up on a farm, but I've learned a lot new about farming today," says Banker Dixon (right) to Purina Salesman Carl Nethers. Part of the Purina Research Farm dairy herd is in the background.

EARL A. SINDECUSE, Director of Banker Service for Ralston Purina Company, is the official host for visitors at the Purina Research Farm. In this capacity, he has welcomed thousands of bankers to the Farm.

Many bankers join their farmer friends in making Research Farm visits. Others take part in special tours conducted for bankers.

"BANKING IS BENEFITED BY A HALF-MILLION FARMERS VISITING PURINA'S RESEARCH FARM"

—says Marion H. Dixon, Cashier and Director, The Waverly State Bank, Waverly, Ohio

"I'm impressed with the many practical and progressive farming methods I've seen today," says Banker Dixon, who visited the Purina Research Farm, at Gray Summit, Missouri, on the day that the Farm's 500,000th visitor registered.

"I don't see how a farmer can spend a day here without learning something that would help him do a better job and make more money. Better farm income helps all other business, including banking, and makes it easier for the farmer to meet his obligations.

"We like to do business with the kind of folks I saw at the Purina Research Farm today because they are interested in making progress on their farms.

"Both the farmer and the banker must be sincerely interested in agricultural progress today. Farming has become a business and the farm can't get along without the bank any more than the bank can get along without the farmer."

* * * *

When your Purina Dealer or the Purina Salesman invites you to visit this Purina Research Farm, we hope you will accept. You will enjoy the trip and you may get a broader understanding of agriculture that will be helpful in making decisions as a banker.

QUALITY SERVICE

PURINA . . . YOUR PARTNER IN SERVING ANIMAL AGRICULTURE

(CONTINUED FROM PAGE 84)

been a borderline case anyway and thereby our problem is solved from the start," Mr. Lee added.

He said that 42% of the total income in his bank comes from mortgage interest. His bank has total loans and discounts of $7,900,000, of which amount some $4,700,000 are mortgage loans. "Of our $4,700,000 mortgage loans," he said, "$2,300,000 are conventional and $2,200,000 are GI." Now that veterans' eligibilities are running out, the bank takes more and more FHA loans.

Mr. Lee stated that his bank has taken advantage of every increase in interest rate provided by law and now is charging the maximum of 5¼% on GI loans. On conventional mortgages, the charge is 6%; on FHA loans, the rate is 5¾%.

CURRENT AGRICULTURAL SITUATION

The outlook for 1961 indicates that **farmers' prices and incomes** will remain at about the levels of the past 2 years.

Cattle prices probably will be somewhat lower. **Hog** prices probably will stay above a year earlier until the last half of 1961, then fall below. Prices for **eggs** and **dairy** products are likely to stay above a year earlier into the spring. **Broiler** and **turkey** prices probably will average lower for the year. Under present law, minimum price supports in 1961 would be near 1960 levels.

Prospects for **large marketings** and not much change in prices received or in prices paid, indicate little change in the realized net income of farm operators in 1961. This would continue the general stability of the past five years. Realized net income has been between $11-billion and $12-billion each year since 1954, except for 1958 when a sharp increase in farm production and a rise in prices boosted it to $13-billion.

Record volume of **farm products** is likely to move abroad in 1960-61 fiscal year. Wheat exports may reach a record. Increases are likely for tobacco, soybeans, tallow, meats, hides, and dairy products. Exports of cotton and vegetable oils will remain high. Declines are likely for lard, rice, feed grains, and horticultural products.

Upward climb in **farmer's costs** eased in 1960 . . . a generally stable situation is likely in 1961.

Rising livestock production is expected in 1961. Cattle numbers, now in their third year of increase, probably will rise further, and marketings will increase. Hog production, down sharply this year, appears likely to turn upward next spring. Plans of farmers in leading Corn Belt states indicate moderately increased farrowings late this year and early next. Above average hog-corn price ratio this fall also points to likelihood of an increased pig crop next spring. Marketings are likely to stay below a year earlier until mid-1961, then rise above.

Prepared by the U. S. Department of Agriculture

1961 Agricultural Credit Conference in Dallas

THE Tenth National Agricultural Credit Conference, sponsored by the Agricultural Committee of The American Bankers Association, will be held in Dallas, Tex., November 13 and 14, 1961, according to Committee Chairman John H. Crocker, chairman of the board and president, The Citizens National Bank, Decatur, Ill. Headquarters for the meeting will be the Statler Hilton Hotel.

During the two days, bankers will discuss such bank services as budget loans, financing of equipment, irrigation and water conservation, and the adequacy of bank lending operations in support of production of field crops and cattle.

USDA "Rural America" Film

A NEW 13½-minute film entitled *A New Rural America, Opportunities Unlimited*, has been produced by the U. S. Department of Agriculture.

The film illustrates the wide range of projects going forward in rural America to improve farming, to build up large and small industry, and to improve communities. Nearly a dozen rural areas and small towns around the country are represented in the picture.

This film is available through the film libraries of the Land Grant Colleges and universities. It may also be obtained on loan or purchase from the Motion Picture Service, Office of Information, USDA, Washington 25, D. C.

Representatives of two winning Granges in the community service competition of the North Carolina National Bank. Charlotte, visited the bank's main offices recently. These Granges were among 93 in the state that won $25 service awards, which are donated annually by the bank. *Left to right*, Harry B. Caldwell, Greensboro, state Grange master; President Addison H. Reese; J. S. Thomasson, Hamptonville, master of Windsor's Cross Roads Grange in Yadkin County; and Carl Brindley, Richfield, community service chairman, Ridenhour Grange in Stanley County

Unparalleled Advances in Agriculture in Next Decade

IN an optimistic appraisal of the future of agriculture, Dr. Earl L. Butz, dean of Agriculture, Purdue University, Lafayette, Ind., points out that out of the 68,000,000 people employed in America, about 26,000,000 work somewhere in agriculture—7,000,000 on farms, 8,000,000 produce goods and services purchased by farmers, and 11,000,000 process and distribute farm products.

"Agriculture is in the midst of a far-reaching scientific and techno-

(CONTINUED ON PAGE 110)

THE CANADIAN BANK OF COMMERCE

HEAD OFFICE - TORONTO

CONDENSED STATEMENT AS AT OCTOBER 31, 1960

ASSETS

Cash Resources (including items in transit)	$468,490,360
Government and Other Securities	990,605,565
Call Loans	178,403,227
Total Quick Assets	$1,637,499,152
Loans and Discounts	1,233,820,813
Mortgages and Hypothecs insured under the N.H.A., 1954	189,121,584
Customers' Liability under Acceptances, Guarantees and Letters of Credit, as per contra	31,910,538
Bank Premises	42,059,375
Other Assets	20,862,040
Total Assets	$3,155,273,502

LIABILITIES

Deposits		$2,916,469,467
Acceptances, Guarantees and Letters of Credit		31,910,538
Other Liabilities		21,902,049
Shareholders' Equity		
Capital Paid Up	$ 54,000,000	
Rest Account	130,000,000	
Undivided Profits	991,448	184,991,448
Total Liabilities		$3,155,273,502

STATEMENT OF UNDIVIDED PROFITS
Year Ended October 31, 1960

Balance of profit for the year after provision for *income taxes and after making transfers to inner reserves out of which full provision has been made for diminution in value of investments and loans	$12,599,784
Dividends	10,529,972
Amount carried forward	$ 2,069,812
Transferred from inner reserves after provision for *income taxes exigible	6,000,000
Balance of undivided profits October 31, 1959	3,121,636
	$11,191,448
Transferred to rest account	10,200,000
Balance of undivided profits October 31, 1960	$ 991,448

*Total provision for income taxes $20,080,000

N. J. McKINNON
CHAIRMAN AND PRESIDENT

J. P. R. WADSWORTH
GENERAL MANAGER

Farm Loan Picture Changing, and Fast

RAYMOND J. DOLL, agricultural economist of the Federal Reserve Bank of Kansas City, Mo., spoke at the National Agricultural Credit Conference of the American Bankers Association in Denver, Colo. His subject was "The Bank's Position in Agricultural Lending." Because of the interest in his analysis, BANKING *presents an interview with* MR. DOLL, *based on the major points covered in his Denver address:*

Q. To what do you attribute the fact that the agricultural output per man hour has increased twice as fast as in the economy as a whole?

A. Technological innovation which has taken a form in which more and different kinds of capital were used and, to a considerable extent, were substituted for labor and land. In my opinion, the safest assumption we can make is that these trends will continue in the 1960s, though probably at a less rapid rate.

Q. Does this mean that the agricultural industry will continue to be faced with some rather severe adjustment problems?

A. Indeed it does. These problems, in addition to having a significant bearing on farmers, will influence businesses related to agriculture—including financial institutions. Adjustment problems in the past have had a significant influence on the methods and procedures used in extending credit to farmers. They will continue to be important during the 1960s.

Q. It has been estimated that almost three-fourths of the non-real-estate credit extended to farmers by financial institutions is provided by banks. What is the prospect of a considerable slackening in this trend?

A. Banks were able to achieve this record even though they were confronted with some severe problems. Despite this achievement, however, commercial banks have not been able to provide the same proportion of non-real-estate credit to farmers in recent years as they did previously. Prior to 1920, commercial banks were the only lending institutions (excluding individuals and private business firms) that extended non-real-estate credit to farmers. In 1921, $3.5-million in Federal funds were made available for emergency crop and feed loans. Since then a number of agencies have been established to provide non-real-estate farm credit. The three principal agencies to evolve, in addition to commercial banks, are the Production Credit Associations; the Farmers Home Administration; and, indirectly, the Intermediate Credit Banks.

The relative importance of Federal and federally sponsored agencies in the field of non-real-estate farm credit increased quite rapidly from the time these agencies were established until 1937. On January 1, 1937, these agencies held more than half of the non-real-estate farm loans held by principal lending institutions. Since 1937, however, commercial banks have again become relatively more important, and recently have been holding about three-fourths of the outstanding loans made by principal lending institutions.

Q. What advantages do banks offer by contrast with other farm financing facilities?

A. Well, to begin with, they are widely distributed geographically. Most all rural areas have easy access to a bank. Rural bankers tend to be thoroughly familiar with local conditions. Finally, commercial bankers can render a complete line of financial services, including making loans, accepting deposits, and providing farm departments, financial consultation, safe deposit, estate planning, and checking accounts.

Q. Should these advantages, Mr. Doll, enable commercial bankers to do a good job of competing in the farm financing field?

A. Yes they certainly do, but I would like to emphasize that in order to compete in the modern era of upheaval in agriculture, it will be necessary to adapt to the economic adjustments that are occurring. It has been an historical fact that if adequate credit was not made available on desirable terms for financing new techniques, new methods for providing appropriate credit were devised. This is why it is necessary to be familiar with both historical trends and the significance of the impact of current changes on financial institutions and lending methods.

Q. What effect do the rules under which commercial banks operate, together with other factors, have when it comes to making the volume and kind of loans necessary under present-day farming methods?

A. The adjustment problems that have confronted the agricultural industry have had a significant bearing on commercial banks. Although the problems confronting bankers are not identical to those confronting farmers, there are many similarities. The rapid increase in capital requirements of farmers has had a significant impact on the volume of loans made by commercial banks to farmers. Shifts in the kinds of resources used in farming have influenced the methods and procedures used in extending farm credit. These problems likely will continue to confront us in the 1960s, and how they are solved is likely to have a substantial influence on the position of rural banks in the agricultural lending field.

Q. Mr. Doll, will you discuss some of the problems that are emerging so far as rural bankers are concerned?

A. Take the supply of funds, for

example. The amount of funds that banks have available for investment is limited by deposits, capital structure, and the ability to obtain funds from correspondent banks or by borrowing from the Federal Reserve System. Since commercial banks are legally obligated to pay out demand deposits without notice, they must maintain a relatively high degree of liquidity. Thus, the supply of funds available for making farm loans is limited.

One of the striking features of the postwar period has been the stable rate of growth of total loans for Tenth Federal Reserve District member banks. Although deposits also increased, the growth rate for total loans was substantially greater, and loan-deposit ratios increased significantly. Loan-deposit ratios of country member banks in recent months have been running around 45% which contrasts with a ratio of about 31% in 1954. If loan volume of country member banks is to continue to increase at the same rate as prevailed during the past decade, it will be necessary for deposits to increase more rapidly or for loan-to-deposit ratios to increase substantially above present record levels. If demands for credit continue to remain as vigorous in the 1960s as during the past decade, the problem of bank liquidity may command more attention than it has been accorded previously.

Q. What influence has the trend of rapidly increasing capital requirements in agriculture had on the size of loan necessary for adequately financing the modern farm business?

A. Based on the trends in average value per farm of assets used in production and operating expenses from 1940 to the present time, it appears that the size of the average farm loan would have increased by about five times during this period. The total amount of farm loans for the nation during this period increased to almost two-and-one-half times 1940 levels, despite the fact that the number of farms declined by a third. These data emphasize the rapidity with which the average size of loan per farm operator has been increasing. This means that financial institutions, if they are to serve agriculture properly, must be prepared to meet requests for large loans from individual farmers. It appears to me that the most logical assumption for financial agencies to make for planning purposes is that they will be required to continue lending an increasing aggregate amount to a decreasing number of farmers. Financial agencies that are unable to handle these individual requests for large loans may lose their most profitable farm customers, since large loans are cheaper to service on a per-dollar-of-volume basis and the large operators frequently are the most efficient ones.

Q. How, if at all, do the legal requirements with respect to the size of loans to individuals hamper the banks in making available credit to large commercial farm operators?

A. The National Banking Act limits the size of a loan to an amount equal to 10% of the capital and undivided surplus of the bank unless the loan is secured by livestock, in which case it can be made in an amount equal to 25% of capital and undivided surplus. Limits imposed on nonmember banks by the different states vary, but such limits also are imposed by the states.

During the past 20 years, while per farm capital requirements have increased to about five times 1940 levels, the capital and undivided surplus of country member banks in the Tenth Federal Reserve District have increased to three-and-one-half times 1940 levels. These trends indicate commercial banks have more of a problem in meeting individual requests for large farm loans now as compared with 1940. The capital structure of the individual farm has been increasing more rapidly than the capital structure of the individual bank.

In analyzing the individual banks in our Federal Reserve District, by applying the National Banking Act restrictions to member banks and the varying state restrictions to nonmember banks, it appears that a considerable number of banks may be restricted in financing the larger farm operators. Twenty-four percent of all country banks in the Tenth District must limit the size of their loans to individual farmers to less than $10,000, unless the loan is secured by livestock. Some of these cannot make a loan of $10,000 to an individual farmer even if secured by livestock. Sixty-two percent of our country banks cannot make loans as large as $20,000, unless secured by livestock; and the maximum size loan that a substantial proportion of these can make is less than $20,000, even if secured by livestock.

If only those banks are considered in which 50% or more of their total loans is composed of farm loans, more than 80% of them cannot make loans of up to $20,000, unless secured by livestock. For most of these, the maximum size of loan that can be made is substantially less than $20,000.

I am mentioning these restrictions because a rather large number of commercial farm operators today need large amounts of capital, and it is not unusual for country banks to be unable to supply some of the larger operators with the amount of credit needed by the use of normal lending procedures. There are methods of providing for such requests for credit. However, the use of routine procedures frequently cannot be followed. The entire problem of size of loan needs to be reviewed from time to time, and it is imperative that provision be made for financing the larger efficient operators if they are to be retained as good bank customers.

Q. We hear a great deal these days about tailoring maturity dates to the needs of the farmer. What influence, Mr. Doll, has the shift in the kind of resources used by farmers had on the most desirable maturities?

A. Well, let's take loans made for

"Miss Meadows in the Agricultural Department is getting married. It's for our Bermuda honeymoon!"

purchasing fertilizer as an example. Fertilizer loans have increased rapidly during the past 20 years. Since fertilizer is one of the most profitable inputs being used in agriculture today, loans for purchases of fertilizer are likely to increase in relative importance. Such loans usually can be repaid within a crop season, so they tend to be made with short-term maturities. Many of the other resources used in agriculture can be financed most appropriately on a short-term basis. On the other hand, loans made for financing such resources as breeding livestock herds and machinery purchases frequently require several years before repayment can be made. Maturities of loans made for financing resources such as these usually must be made for a longer period of time.

Despite the amount of discussion about the growing need for more intermediate-term financing, it appears that the need for short-term financing is growing at an even more rapid rate. Regardless of which is growing most rapidly, maturities of farm loans should be tailored to realistic repayment schedules. Making farm loans with maturities of six months or a year, where income from the enterprise being financed is such that several years may be required for repayment, is an obsolete procedure in the modern farm economy. One of the real problems confronting country bankers is to write farm loans with realistic maturities. To do so requires considerable flexibility and an intimate knowledge of modern-day techniques.

Q. This brings us to the question of interest rates—something bankers are always interested in. In view of the changes in agricultural operations and credit requirements, what effect will this have on interest rates?

A. If demands for credit continue to grow as rapidly in relation to the supply of savings in the 1960s as in the past decade, rates of return on different kinds of loans will be analyzed more carefully by lenders. Interest rates on farm loans will be compared with potential rates of return on other types of investments. Lenders will allocate their available funds for investment to sectors of the economy in which they can maximize their rate of return.

Some individuals contend that, under these circumstances, it will be more difficult to obtain funds for farm loans, since rates are higher for many other types of loans, while in other instances where rates are lower, the cost of administering the investment is much cheaper. In my opinion, a strong case can be developed for contending that rural bankers who understand modern farming methods can frequently maximize their net returns by making a good proportion of farm loans.

In many areas of the nation, bankers can build up deposits and profits most effectively by promoting economic growth in the agricultural and related sectors of the economy. The major contribution they can make in this effort is to finance the industry properly. Interest rates on loans are important, but frequently other factors such as cost of administering loans and the effect of the kind of investment made on deposits are more important considerations. The problem of the relative importance of interest rates versus other considerations in determining investment portfolios in the 1960s will continue to prevail.

Q. In view of today's trends, are institutional lenders likely to be faced with steady pressure to make larger loans with more flexible repayment terms?

A. Currently, farmers are using contractual sales arrangements, integration programs, resource rental programs, incorporation, and numerous other devices to operate efficiently. In many instances, they are using these methods because either farmers or related businesses are dissatisfied with the rate at which credit practices and procedures have been adapted to the needs of modern-day agriculture. They would prefer in many cases to borrow from a financial institution if the credit terms were adapted to their needs. They prefer to borrow from financial institutions since interest rates usually are lower and financial institutions generally permit them to retain more freedom in performing their managerial decisions. The great challenge facing rural bankers in the 1960s will be to provide a maximum amount of the increased credit needs of farmers on a basis that will be profitable to both farmer and bank.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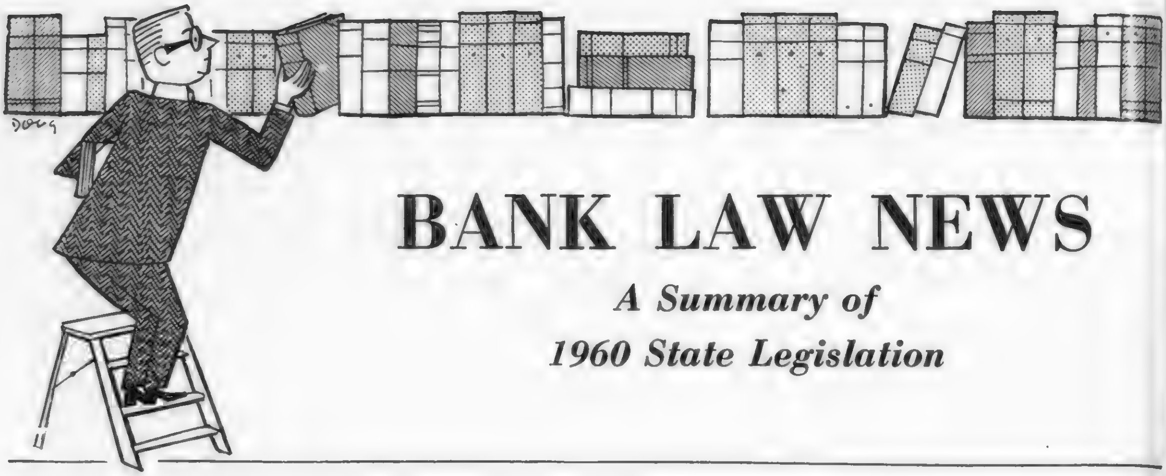

BANK LAW NEWS

A Summary of 1960 State Legislation

THE legislatures of 21 states met in regular session in 1960, while one state legislature continued its 1959 session into 1960. A number of special sessions were also held.

Following is a summary of state enactments considered of interest to bankers.

A.B.A.-Recommended Statutes

Two states, Mississippi (S.B. 1879) and New York (c. 362), enacted the Redefinition of Inland Bills of Exchange Act, approved at the 1959 A.B.A. Spring Meeting as a recommended statute, thus following the example of Illinois, which had adopted the act in 1959. A modified version of this law also exists in California, and the Uniform Commercial Code has a provision covering the same subject matter.

The Redefinition of Bills of Exchange Act eliminates the necessity of protest, as a condition of the liability of drawers and endorsers of bills of exchange, except those which show on their face that they are drawn and payable outside the United States. Thus "required" protest as to certain kinds of items collected through banking channels will be eliminated.

New York (c. 726) also adopted the Fictitious Payee Act.

New York (c. 519) added to its existing adverse claims laws. The addition covers situations where there are conflicting claims of authority to act with respect to accounts or other property held by a bank or trust company, such as conflicting claims of right to operate corporation accounts arising out of proxy disputes, etc.

Massachusetts (c. 374) replaced its State Arbitration Act with the new Uniform Arbitration Act.

General Banking Legislation

New York (c. 237) made changes affecting bank holding companies and branch banking. The new law permits, subject to supervisory approval, bank holding companies to own certain interests in banks located in different banking districts of the state but subjects such holding companies to supervisory control. The new law also authorizes banks in New York City to branch into adjoining counties and *vice versa.* Certain additional branch privileges are also granted for savings banks and savings and loan associations.

Other New York laws relating to branches include a law (c. 76) requiring Banking Board approval of the opening of a foreign branch, another law (c. 533) permitting a foreign banking organization to open a branch in the state where the foreign jurisdiction grants reciprocal privileges, and a law (c. 1064) permitting a bank in New York City to open a "public accommodation office" in a limited area near the bank or near a branch office of such bank. A Mississippi law (S.B. 1858) authorizes drive-in teller windows.

Georgia (H.B. 712) prohibits bank holding companies and branch banks but permits a bank to open in a limited area a "bank office" or a "bank facility" with certain powers or functions.

Georgia (H.B. 708) prohibits new private banks.

Alaska (H.B. 391) enacted a law authorizing the organization and operation of mutual savings banks.

Bank Personnel

Michigan (Act 87) permits a bank, within certain limits, to purchase its own stock for use in connection with stock option plans for officers or other personnel.

Holidays

Virginia (cc. 24 and 588) extended optional Saturday closing to additional areas of the state.

Books and Records

South Carolina (H.B. 2299) enacted a law relating to retention and destruction of bank records. The new law accords substantially with the provision on that subject included in the A. B. A. Model State Banking Code.

Interest on Public Deposits

Georgia (Act 912) revised its laws governing deposits of state funds to provide for time deposits at interest of funds in excess of current operating expenses or investment of such funds in certain public obligations. The new law requires that other state funds be deposited subject to check.

Dormant Accounts and Abandoned Property

Virginia (c. 330) adopted the Uniform Disposition of Unclaimed Property Act, applicable to bank deposits and certain other property unclaimed for 17 years and to fiduciary-held property unclaimed for 7 years.

Kentucky (H.B. 389) revised its existing unclaimed property laws to

(CONTINUED ON PAGE 94)

WHO among these people should be your customers?

Growing children, college students, bakers, butchers, professors, doctors, chefs, salesmen, engineers, architects, housewives, plumbers, business executives, telephone operators, lawyers, masons, carpenters, chauffeurs, secretaries, druggists, ministers, clerks, pilots, actors, stewardesses, models, editors, scientists, insurance agents, real estate brokers, school teachers?

All of them, Mr. Banker!

They are Christmas Club members and all are potential customers for every service you offer.

If you do not now offer a Christmas Club, join the successful financial institutions that do. If you do offer a Christmas Club service, get to know your Christmas Club members. Cultivate them and help them to manage their money by using the other services you offer.

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(CONTINUED FROM PAGE 92)
include certain provisions of the Uniform Act and to extend the provisions of its laws to additional classes of unclaimed property, such as fiduciary-held property, safe deposit box contents and certified checks which have not been presented for payment.

Provisions Concerning Deposits

New York (c. 818) permits a bank to pay to a nonresident executor or other fiduciary an amount on deposit by or otherwise owing to a nonresident decedent or a nonresident under disability and provides that such payment, without necessity of court order or ancillary administration in the state, will discharge the bank's liability.

Loans and Investments

Alaska (H.B. 274) permits banks to make certain loans to veterans which are guaranteed by the Department of Commerce of that state. Michigan (H.B. 3) provides for student loans guaranteed by an agency of the state. New York (c. 296) provides that a loan to a minor who is attending a college or university in the state to finance his education may not be disaffirmed by such minor on the ground of infancy.

Alaska (H.B. 417) enacted the Model Foreign Bank Loan Act which permits out-of-state banks and certain other classes of lenders to make mortgages and other loans in Alaska without qualifying to do business there. Louisiana (A. 386) clarifies certain in-state lending activities as not doing business in the state on the part of out-of-state lenders.

Loans and Mortgages

Laws liberalizing restrictions on real estate loans by banks are briefly summarized here. Michigan (Act 87) raised the maximum limit of a 20-year instalment mortgage loan from 66⅔% to 75% of the appraised value of the real estate taken as security, authorized certain loans on real estate leaseholds and extended the maximum term of certain construction loans from 9 to 18 months. New York (c. 357) changed the maximum limit of a real estate loan from a general limit of 66⅔% of appraised value to a limit of 80% of appraised value where the security consists of a 1- or 2-family dwelling, 75% of ap-

praised value on other improved property and 66⅔% of appraised value of unimproved property. The law also changed the limits of aggregate real estate loans of various kinds and exempted from real estate lending limits certain loans accompanied by takeout commitments. Virginia (c. 23) raised the maximum limit of certain instalment real estate loans of a 10-to-20-year term from 66⅔% of appraised value to 75% of appraised value and also raised the maximum term of certain construction loans from nine to 18 months, as well as raising the aggregate limits of such construction loans. Another Virginia law (c. 22) exempts from real estate loan limits certain loans to business organizations on real estate mortgages where repayment out of business operations is contemplated.

Bank Instalment Loans

Massachusetts (c. 272) increased the limit of a personal instalment loan by a savings bank or savings department of a trust company from $1,000 to $1,500 and the maximum term from 30 to 36 months. New York (c. 349) changed its bank instalment loan law to extend the maximum term of home improvement loans over $1,200 to 61 months and set a maximum rate on such loans, where the term exceeds 37 months, at $5 per $100 discount. The New York law also authorizes a flat minimum charge of $10 on bank instalment loans.

New York (c. 784) and Virginia (c. 74) enacted laws permitting banks to make revolving credit "check loans." A law of analogous nature had been enacted in New Jersey in 1959.

Taxation

Kentucky (H.B. 505), in a general revision of its tax laws, reduced its tax on deposits in Kentucky banks from 10 cents per $100 to 1 mill per $100. With respect to deposits in out-of-state banks, the new law specifies that intangibles which acquire an out-of-state "business situs" are not taxable.

Rhode Island (H.B. 1278) replaced its former local intangibles tax with a state tax on intangibles at the same rate, 40 cents per $100 value. The new state tax does not apply to interest-bearing deposits, which remain subject to a tax under a different law.

Rhode Island (H.B. 1292) changed the rate of tax on state and national banks to 6% of net income. The law left intact the alternative tax on state banks based on capital stock.

Virginia (c. 335) provides for certain abatement of local bank stock taxes where a bank in the taxing municipality has a branch outside the municipal limits.

Credit Transactions

New York (c. 488) regulates the business of financing insurance premiums paid in instalments and requires licensing of agencies engaged in premium financing. The maximum rate permitted for such financing is $7 per $100 credit extended. Banks are exempt from licensing requirements but are subject to certain other requirements of the law, including a requirement that a certain notice be given the insured-borrower where a policy is to be canceled because of default in making instalment payments.

New Jersey (cc. 40 and 41) enacted new laws regulating retail instalment sales of motor vehicles and other personal property of $7,500 or less and instalment sales of goods or services in connection with improvement of real property. Delaware (S.B. 102 and H.B. 550) also enacted laws of like nature.

Kentucky (S.B. 250) enacted a law regulating loans of $800 or less by licensed small lenders. The law is inapplicable to banks. New York (c. 690) raised the maximum loan limit for licensed lenders from $500 to $800 and made other changes in its laws governing small loans.

You save more than money: 20th Anniversary 1941 1961 with U.S. Savings Bonds

Treasury Salute

(CONTINUED FROM PAGE 62)

tions, to supplement retirement programs, and to do countless other things both good for the individual and for our economy.

Bankers should feel justifiably proud of the part that they have played in starting so many people on the road to thrift; in bringing to them the happiness that comes from financial security; and in strengthening economically the communities which they serve. On this 20th anniversary of the Savings Bond program, it is most fitting that the Treasury Department salute banks and bankers for their magnificent contributions to the people, to the communities, and to the nation.

William H. Neal, assistant to the Secretary of the Treasury and national director of the U. S. Savings Bonds Division, poses with the official symbol of the Savings Bond Program—the Concord Minute Man. Mr. Neal, on leave from Wachovia Bank & Trust, says, "Our real Minute Men are the half-million volunteers, many of them bankers, who actually make this program go"

BANKING NEWS

Banks Urged to Remind Depositors of Duty to Report Interest and Dividends for Income Tax Purposes

Carl A. Bimson, president of The American Bankers Association, in a letter to the banks of the country made a "most urgent request that your bank again this year" enclose with monthly statements to depositors "a reminder of the Federal income tax obligation to report receipts of interest and dividends." Following a similar effort by the Association and other payers of interest and dividends in cooperation with the Treasury last year, a preliminary survey indicates that the number of persons failing to report interest was decreased by 47% and the amounts of interest unreported declined by 48%. An even greater improvement was found in the reporting of dividends.

In his letter to the banks, Mr. Bimson, who is also president of the Valley National Bank, Phoenix, Ariz., says: "It is very clear that the movement to enact legislation requiring the mandatory withholding of taxes on interest and dividend payments will be very much alive in the next Congress. It is incumbent upon all of us, therefore, to continue the educational program in order to try to narrow the gap between interest paid and interest reported for Federal income tax purposes. If another year of this program has the same measure of success that appears to have resulted from the first year's efforts, we will be able to demonstrate that withholding is unnecessary. The Treasury Department has requested all participating associations to continue and expand their educational efforts."

With the letter to each bank were enclosed sample copies of two "statement enclosure" notices, one issued by the Treasury Department and one a form devised by the A.B.A. The latter, which may be reproduced locally by banks or purchased at cost from the Advertising Department of the Association, lists the principal categories of interest and dividend income which are subject to Federal income tax.

Seated clockwise around the table, *from left to right*, are members of the A.B.A.'s Public Relations Committee at the mid-winter meeting in New York: Edward T. Hetzler, vice-president, Bankers Trust Company, New York; Lauder Hodges, vice-president, Citizens National Bank, Los Angeles; Jordan J. Crouch, vice-president, First National Bank of Nevada, Reno; W. E. Singletary, vice-president, Wachovia Bank & Trust Company, Winston-Salem, N. C., *chairman*; W. R. Kennedy, president, Union Market National Bank, Watertown, Mass.; Earl G. Schwalm, president, Lincoln National Bank and Trust Company, Fort Wayne, Ind.; Gerard E. Hayes, assistant vice-president, National Shawmut Bank of Boston; and L. J. Smotherman, assistant vice-president, First Wisconsin National Bank, Milwaukee. Standing are staff members Robert G. Howard, A.B.A. deputy manager and director, and R. M. Cheseldine, Jr., secretary

Manual on Bank Records Retention, Destruction Published by the A.B.A.

Free Copy Sent to Member Banks; One Extra Available at $1 Each

The Bank Management Committee and the State Legislative Committee of The American Bankers Association have published a new manual, *The Retention and Destruction of Bank Records.*

The booklet notes that with the ever increasing volume of paper work, "the mass of accumulated records makes a realistic retention and destruction schedule imperative." The objective of the booklet is to serve as a guide to banks seeking to establish a program.

Federal, State Statutes Covered

The manual covers Federal and state statutes of limitation and record retention statutes; retention schedules; the use of microfilm; and wartime record protection. Appendices show which states have adopted a "final adjustment of statements of account statute," record retention statutes and regulations, and retention schedules of state supervisors.

One copy of the manual has been sent by the A.B.A. Bank Management Committee to each A.B.A. member bank; extra copies are available at $1 each from the Department of Printing, A.B.A., 12 East 36th Street, New York 16, N. Y.

The 3-man subcommittee of the Bank Management Committee which worked on the manual is composed of: Philip H. Cordes, vice-president, Continental Illinois National Bank and Trust Company, Chicago, chairman; R. A. Bezoier, president, First National Bank, Rochester, Minn.; and Oliver L. Dalrymple, vice-president and cashier, Seattle-First National Bank, Seattle, Wash. G. Edward Cooper, senior vice-president, The Philadelphia National Bank, is chairman of the Bank Management Committee. Chairman of the State Legislative Committee is Elwood F. Kirkman, president, The Boardwalk National Bank, Atlantic City, N. J.

Time Is Ripe for Bankers to Consider Future Role in Educational Field

D. G. Herron Urged NJBA PR Group to Look at Banks' Future Role

The time is ripe for bankers to consider their future role in educational financing, a field which promises new developments in coming months, Douglas G. Herron, secretary of the Banking Education Committee of The American Bankers Association, New York, told a public relations and business development conference of the New Jersey Bankers Association in Princeton.

Mr. Herron said: "1961 could well be the year which determines how large numbers of students will finance their college educations. Swelling enrolments and rising costs are increasing the pressure for suitable financing plans.

"While the largest bulge in the college population is still a few years ahead, the borrowing patterns are being set now. Which will be the leading educational loan plans in 1965? Will they be those of individual banks, statewide guaranty corporations, national guaranty groups, insurance companies, colleges, state governments; or will Washington set the pace?"

Mr. Herron made his remarks to open a panel discussion in which speakers discussed the various plans now available for the financing of college educations. Other speakers discussed specific phases of the subject.

A.B.A.'s Common Machine Language Type Fonts Are Adopted by London Banks

The London Clearing Banks have decided to adopt the E-13B type font developed by The American Bankers Association as the basis for the common machine language to be employed in the operations of their check clearing system.

Word to this effect was received by John A. Kley, president of The County Trust Company, White Plains, N. Y., who is chairman of the subcommittee of the A.B.A. Bank Management Committee, which spearheaded this project, and by Melvin C. Miller, A.B.A. deputy manager, who is secretary of the committee.

Speakers at the opening session of the 29th Mid-Continent Trust Conference of the A.B.A. in Chicago included, *left to right:* Robert G. Howard, deputy manager and secretary of Trust Division, A.B.A., who presided; Robert R. Duncan, division president and chairman, Harvard Trust Company, Cambridge, Mass.; George W. Mitchell, vice-president in charge of research, Federal Reserve Bank of Chicago; and R. Emmett Hanley, president, Corporate Fiduciaries Association of Chicago (host to the conference) and senior vice-president, City National Bank and Trust Co., Chicago

2,500 Trustmen Will Attend A.B.A.'s Mid-Winter Trust Conference at The Waldorf-Astoria, New York, Feb. 6-8

About 2,500 trustmen from all sections of the United States are expected to attend the 42nd annual Mid-Winter Trust Conference of the American Bankers Association at the Waldorf-Astoria Hotel in New York on February 6-8, according to Robert R. Duncan, chairman, Harvard Trust Company, Cambridge, Mass., and president, Trust Division, A.B.A.

Speakers at the conference will include Whitney North Seymour, president, American Bar Association, and Carl A. Bimson, president, A.B.A. Mr. Seymour is a partner in the law firm of Simpson Thatcher & Bartlett, New York City, and Mr. Bimson is president of the Valley National Bank, Phoenix, Ariz.

Among the other prominent speakers at the conference will be Dr. James R. Killian, Jr., chairman, Massachusetts Institute of Technology; Robert N. Hilkert, first vice-president, Federal Reserve Bank of Philadelphia; Dr. Marcus Nadler, professor of finance, New York University; Professors Austin W. Scott and A. James Casner of Harvard Law School; Dr. Kurt F. Flexner, director of mortgage finance, A.B.A.; Ray F. Myers, vice-president, Continental Illinois National Bank and Trust Company, Chicago; William B. Hall, senior vice-president, The Detroit (Mich.) Bank and Trust Company; and Samuel H. Woolley, vice-president, The Bank of New York.

Significant sessions of the conference will include those on investments, pension and profit-sharing, problems of smaller and medium-sized trust departments, and estate planning.

As has long been the custom at this conference, the New York Clearing House Association will give a luncheon for all registered delegates on the final day of the meeting.

Seattle Chosen for 35th Western Regional Trust Conference on July 12-14

The 35th Western Regional Trust Conference, sponsored by the Trust Division of The American Bankers Association, will be held at the Olympic Hotel in Seattle, Wash., July 12-14, 1961, Trust Division President Robert R. Duncan has announced. Mr. Duncan is chairman of the board, The Harvard Trust Company, Cambridge, Massachusetts.

Hosts for the conference will be the Trustmen's Association of Western Washington.

Victor R. Graves, vice-president and trust officer, Peoples National Bank of Washington, Seattle, and member of the Trust Division's Executive Committee, will be chairman.

Forrest J. Prettyman Joins A.B.A. Washington Office Staff as Junior Attorney

Forrest J. Prettyman has been named a junior attorney in the Washington Office of The American Bankers Association, Merle E. Selecman, executive vice-president, announced recently. Mr. Prettyman has assumed his duties.

A native of Rockville, Md., Mr. Prettyman graduated from the University of Maryland in June 1954, with a Bachelor of Arts Degree, and earned his LL.B. from the University of Maryland School of Law in June of this year. While pursuing his law degree, Mr. Prettyman was elected vice-president of his senior law school class.

From October 1954, to September 1957, he served as an aircraft maintenance officer in the United States Air Force, attaining the rank of first lieutenant. He currently holds the rank of captain in the Maryland Air National Guard.

The position of junior attorney is newly created and reflects the increased duties and responsibilities of the A.B.A. Washington Office. In this capacity Mr. Prettyman will serve as assistant to the other members of the staff.

Ben C. Corlett is director of the Washington Office of the Association.

Three Seminars Announced on "Effective Leadership in Bank Management"

The Bank Executive and Staff Development Committee of the A.B.A. has announced three identical seminars for banks with from $2- to $25-million in deposits on "Effective Leadership in Bank Management" to be held in Atlanta, Dallas, and New Orleans.

The schedule for the seminars is The Atlanta Biltmore Hotel, Atlanta, January 22-25; The Sheraton Dallas Hotel, Dallas, February 5-8; and The Roosevelt Hotel, New Orleans, February 19-22.

For a description of the purpose of the seminars please turn to page 58 December BANKING.

Chairmen Announced for A.I.B.'s 59th Convention in Seattle May 29-June 2

Chairmen of committees for the 59th annual convention of the American Institute of Banking have been announced by A.I.B. President Milton F. Darr, Jr., who is vice-president, LaSalle National Bank, Chicago. The convention will be held in Seattle May 29-June 2, 1961.

Maxwell Carlson of National Bank of Commerce, Seattle, will serve as general chairman. General vice-chairmen, all of Seattle, will be: E. L. Blaine, Jr., Peoples National Bank; Daniel J. Conley, Washington Mutual Savings Bank; Allen B. Morgan, Seattle-First National Bank; Thomas W. Paul, Pacific National Bank; R. Perry Steen, Seattle Trust & Savings Bank; and Eric I. Wallberg, Bank of California N.A.

Robert M. Mills of National Bank of Commerce will be convention secretary; A. A. Erickson, National Bank of Commerce, will be convention treasurer.

Savings

• NEWS •

58th Annual Savings Conference March 6-8

THE program for the 58th annual Savings Conference of The American Bankers Association was announced last month by Gaylord A. Freeman, Jr., president of the A.B.A. Savings Division and president, The First National Bank of Chicago.

Among a long list of speakers and panel participants will be Mr. Freeman, whose topic will be "Where Are We Headed in Our Competition for Savings?" The Hon. Abraham J. Multer (D., N.Y.), member, Banking and Currency Committee, House of Representatives, will speak on "You and the Public—A Congressman Looks at Banking." Carl A. Bimson, president, A.B.A., and president, Valley National Bank, Phoenix, Ariz., will speak on "The Savings Account in 1961— Is It Outmoded?"

The conference will offer five panel discussions, as follows: "Are Your Savings Profitable? How Can You Make Them So?" moderated by Howard D. Cross, vice-president, Federal Reserve Bank of New York; "What's New in Savings Operations?" moderated by Leonard P. Chamberlain, vice-president, The Provident Institution for Savings, Boston; "Should the Savings Interest Rate Ceiling Go?" moderated by Dr. Elmer M. Harmon, assistant vice-president, The Bowery Savings Bank, New York; "What's Wrong With Our Savings Promotion?" moderated by C. Arthur Hemminger, vice-president and public relations director, First National Bank, St. Louis; and "Fundamental Issues Confronting Banks in the Savings Business," moderated by President Freeman.

The two and one-half days of meetings will include two luncheon sessions. The closing session will be a new departure for the conference in that it will be a "round-table-talk session" for simultaneous participation by all conference delegates (10 at a table), based on ideas, issues, and problems covered during the first two days. This will be followed by a question-and-answer clinic.

[Ed. It should be noted that since the separation of the savings and mortgage functions of the A.B.A. the Savings Conference will be devoted entirely to various aspects of savings. See Housing and Mortgage News for the A.B.A.'s Atlanta Mortgage Workshop program.]

BANKING Cartoon on Radio

A BANKING cartoon by Jack Tippit (page 112, August 1960) was the inspiration for a Union Dime Savings Bank (New York) commercial on a morning WCBS newscast. It read:

"Bankers do have a sense of hu-

• NEWS •

mor! There was a wonderful cartoon in BANKING Magazine with the following caption: 'The trouble with my budget is that there's always too much month left at the end of the money.'

"After a laugh, does the thought sink in that it's all too true? If there *is* too much month left at the end of *your* money, there are three solutions: less month—more money—or coming out even. I'm afraid we're stuck with the last one. But how to come out even? It's really a matter of simple arithmetic—plus a bit of will power to stick by what the figures say. But if you'd like some props, send for the budget material issued by Union Dime Savings Bank. Just write the word BUDGET on a postcard and mail it to Union Dime . . ."

Ways Sought to Organize Mutuals in All States

ORGANIZATION of new savings banks both in states where they now operate as well as in other states, full utilization of branching and other powers permitted under state statute, and development of a complete range of thrift services were urged by Edward P. Clark as potentials for increasing the usefulness of mutual savings banking and assuring its growth in the decades ahead.

Speaking before the midyear meeting of the National Association of Mutual Savings Banks, Mr. Clark, association president, called for action in three areas: (1) continuation of present efforts by individual savings banks to improve and extend services to their depositors; (2) geographical extension of the system through both state and Federal chartering; and (3) full utilization of existing state laws to bring the services of mutual savings banks to the public.

Mr. Clark, who is president of the Arlington (Mass.) Five Cents Savings Bank, said that a NAMSB committee is working on the problem of sources of funds that could be used "perhaps in a supplementary way" to start new savings banks in new communities. He indicated, however, that the primary financial responsibility for chartering a new savings bank "rests upon community leaders who see its value in their area."

Personal Savings Essential

PERSONAL savings will continue to be essential for the formation of capital if we are to expand on a sound basis, Morris D. Crawford, Jr., chairman of the Committee on Federal Legislation of the National Association of Mutual Savings Banks and executive vice-president of The Bowery Savings Bank, New York, said in an address at the midyear meeting of the association.

"It cannot be pointed out too often that in many areas of our country where personal income is rising, capital facilities are still lagging behind—and these are the areas in which there are no mutual savings banks," said Mr. Crawford. "Financial institutions in the 33 non-mutual-savings-bank-states are not meeting the need to stimulate thrift. These states with only commercial banks and savings and loans generally have lower per capita savings. On the other hand, all of the 17 mutual-savings-bank-states, with one exception, are among the 24 states with the highest percent of savings accounts in relation to personal income."

Mr. Crawford said that the association, in its efforts to further the cause of the Federal Mutual Savings Bank Bill, will move forward resolutely but deliberately. "We do not plan a headlong crash program aimed at producing a fast, and perhaps premature decision," he said.

Latin America Housing

RECENT U. S. Government action designed to help alleviate critical housing difficulties in Latin America and other under-developed areas include the following:

Plans on the part of the International Cooperation Administration to send six experienced American savings and loan managers as technical advisers to four nations.

The American housewife is going to have to go to school longer to be as smart as some of the gadgets she now gets for her home.

Disclosure by State Department officials that further United States loans under the savings and loan program would be designated to set-up organizations similar to the Federal Loan Bank System rather than to earmark funds for individual associations.

Twenty-one members of the Council of the Organization of American States meeting in Bogota urged "special consideration" to legislation which would "encourage establishment and growth of private financing institutions, such as building and loan associations."

$1-Billion in Savings Bank Life Insurance

SAVINGS bank life insurance, sold over-the-counter by nearly 300 mutual savings banks in Massachusetts, Connecticut, and New York, was described as a "miracle ingredient" in the thrift promotion efforts of savings banks by Franklin H. Whitney, executive vice-president, People's Savings Bank of Brockton, Mass., at the 14th annual midyear meeting of the National Association of Mutual Savings Banks.

He reported that in his bank there are as many savings bank life insurance policyholders as depsitors and as much insurance in force as total deposits. This public response, he said, emphasizes savings bank life insurance as a program that fits well into the efforts of savings banks to encourage savings on a systematic basis, since it is a "guarantor of completion of long-range savings plans and the assurance of the discharge of long-range responsibilities."

He reported that current sales of SBLI are running at the rate of about $130,000,000 annually, with over $1-billion in force.

College Student Loans

NEW YORK STATE savings banks have made over $770,000 worth of guaranteed loans to college students since April, when they were authorized by the State Legislature to participate in the loan program of the New York Higher Education Assistance Corp.

A report of the NYHEAC shows that as of October 31, 1,211 such loans totaling $771,943 were made by participating savings banks.

Housing and Mortgages

·NEWS·

Booklet Answers Home Buyer's Questions

HOW much can you afford to pay for a home? What kind of mortgage is best for you? How do you go about getting a mortgage?

Prospective home buyers will find answers to such questions in a new American Bankers Association booklet to be made available to the public by A.B.A. member banks. Sample copies of the booklet, prepared by the Mortgage Finance Committee of the A.B.A., were mailed recently to commercial banks throughout the nation. The booklet may be purchased in quantity for distribution to bank customers. Prices were listed on the back cover of the sample.

Atlanta Mortgage Workshop Program Announced

THE program for the Fifth Regional Mortgage Workshop sponsored by the Mortgage Finance Committee of The American Bankers Association was announced recently by Cowles Andrus, chairman of the committee. The workshop will be held February 12-14, 1961, at the Dinkler Plaza Hotel, Atlanta, Ga. Mr. Andrus, who will extend greetings at the first session of the workshop, is president of the New Jersey Bank and Trust Company, Passaic.

The program follows:

Morning Session

Monday, February 13

Presiding, Carlyle McDowell, Mortgage Workshop chairman; member, Mortgage Finance Committee, A.B.A.; vice-president, Wachovia Bank and Trust Company, Winston-Salem, N. C. Greetings will be extended by Mr. Andrus.

Other addresses included "Effective Use of the Secondary Mortgage Market by Capital-Short Areas," by Dr. Kurt F. Flexner, director, Mortgage Finance, A.B.A., New York; "Pension Funds and Mortgage Investments," by James J. O'Brien, vice-president, The Chase Manhattan Bank, New York; and The Mortgage Market Outlook," by Dr. Gordon McKinley, executive director of Economic and Investment Research, Prudential Insurance Company of America, Newark, N. J.

Luncheon

12:15 P.M.

Afternoon Session

2-4 P.M.

"Planning and Developing a Mortgage Program Best Suited to Your Bank,"—forum moderated by D. C. Sutherland, member, Mortgage Finance Committee, A.B.A.; senior vice-president, Bank of America N.T. & S.A., San Francisco. Subjects and speakers included "The Large Bank as a Full-Service Community Bank," by Lowell C. Klug, member, Mortgage Finance Committee, A.B.A.; vice-president, First Wisconsin National Bank, Milwaukee; "A Small Bank's Approach to Profitable Mortgage Operations," by Frederic S. Bayles, vice-president, The Garden State National Bank, Teaneck, N. J.; and "Mortgage Origination and Servicing as a Profitable Operation," by Robert H. Bolton, member, Mortgage Finance Committee, A.B.A.; president, Rapides Bank and Trust Company, Alexandria, La.

Morning Session

Tuesday, February 14

Seminars on (1) "How to Plan and Develop a Profitable and Balanced Short Term and Long Term Mortgage Portfolio"—*9:15-10:45 A.M.*, and (2) "Efficient Methods of Originating and Servicing Mortgages for Long Term Investors"*11-12:30 P.M.*

Luncheon

12:30 P.M.

Afternoon Session

Seminar on "The Current Mortgage Money Market and How to Interpret It"—2-3 P.M.

Seminar Discussion Leaders

Ben S. Barnes, Jr., vice-president, First National Bank, Atlanta; F. P. Bodenheimer, Jr., vice-president, First-Citizens Bank and Trust Company, Raleigh, N. C.; John W. Boyle, executive vice-president, Mountain Trust Bank, Roanoke, Va.; Frederick W. Campbell, vice-president, The First National Bank, Miami, Fla.; J. W. Caraker, vice-president, The Citizens and Southern National Bank, Atlanta; William W. Godshall, assistant vice-president and trust officer, The Commercial Bank and Trust Company of South Carolina, Columbia; Roger B. Hawkins, assistant director, Mortgage Finance, A.B.A., New York; Frank W. Reed, vice-president, The First National Bank at Orlando, Fla.; W. V. Register, president, The First National Bank in Dunedin, Fla.; C. B. Rich, vice-president, Wachovia Bank and Trust Company, Charlotte, N. C.; Archie C. Walker, assistant vice-president, Wachovia Bank and Trust Company, Winston-Salem, N. C.; Thomas R. Wirsing, Jr., vice-president, The First National Exchange Bank of Roanoke, Va.; others to be announced.

Advantages of Secondary Market Investments

"COMPETITION is the salt of life, they say and I agree, but I would like to add it's no fun to be killed off and salted down by competition," Robert L. Cashion, vice-president of the Western Pennsylvania National Bank, McKeesport, Pa., said at a meeting of the Pennsylvania Bankers Association.

In a discussion of secondary market investors, Mr. Cashion stated:

"Generally the secondary market investors are interested in the longer term guaranteed or insured loans, and in conventional loans with maturities up to 25 years. (Incidentally, we have worked out an agreement with the Comptroller whereby we can originate conventional loans with 25-year maturities). There are many advantages to a bank engaging in an operation of this type, some of which I would like to enumerate.

"(1) You will be better able to take care of the mortgage requirements of your depositors by providing terms that meet the competition of other lending institutions that specialize in mortgage

· NEWS ·

lending and also provide more funds for mortgage loans than your deposit structure would ordinarily permit.

"(2) You will be able to attract new customers to your bank by offering favorable home financing, particularly with respect to large tracts.

"(3) The income derived from servicing loans for other investors can be quite substantial, and, after all, we are in the banking business to make a profit.

"(4) Even though a mortgage loan is sold to a secondary market investor, if you retain the servicing, the mortgagor makes his payment to the bank and, as far as he is concerned, he owes his mortgage to the bank. Thus, he either mails a check or comes in personally once a month. In doing so, he is exposed to the other services your bank offers.

"(5) In a mortgage operation of this type, it is desirable to collect with the monthly payment, an escrow deposit for taxes and insurance. We have found that the average balance of the funds maintained in these escrow accounts will be about 3% of the face amount of the mortgage loans.

"In order to produce a large volume of mortgages on a wholesale basis, you probably would have to engage in construction financing as well as soliciting loans from realtors on existing houses. The construction loan phase, with the quick turn-over of money accompanied by the fees that are usually paid in addition to the interest on such loans, can produce a substantial income. **At our bank, we are firmly convinced this is a business that rightly belongs to the commercial banks. Had commercial banks been more aggressive in pursuing this type of business over the past 15 to 20 years, the growth of savings and loan associations and mortgage companies might not have been so spectacular."**

Real Estate Investment Trust Law Appraised

THE field of mortgage investment now using more new capital than any other but still subject to recurrent periods of "tight" and "abundance" of money, seems likely to achieve a breadth, flexibility, and stability it has never had in the past through the passage of Federal real estate investment trust legislation, according to the Mortgage Bankers Association of America. Thus, it says, with this new dimension, additional sources of savings will be opened for mortgage investment with the result that home building, which is almost entirely dependent on mortgage financing, will get a boost such as it has never had before.

"Will you please introduce me to my fellow club member?"

The association's report states that "the new legislation became law in the closing session of Congress and provides for organization of real estate or mortgage investment trusts similar to mutual funds. If 90% of their earnings are passed along to shareholders they are not subject to the usual income taxes but the earnings received by shareholders, of course, are.

Mutual and Pension Funds Set Records

"The greatest opportunity offered by mortgage investment trusts is the means they provide for taking advantage of the changes that are taking place in our methods of saving," says the report. "Over the past decade or so, the most significant of these developments is the growth of mutual funds and of pension funds. Both of these have had rates of growth exceeding that of any other kind of savings accumulation. In addition, we have large accumulations of institutional savings such as charitable foundations, endowments, and the like. None of these newer accumulators have as yet been substantial participants in mortgage financing. At the same time the evidence is that, excluding savings and loan associations, the customary sources of mortgage funds; namely, life insurance companies, savings banks, and commercial banks, probably will not provide a supply of mortgage funds in the future at a rate comparable to what has been true of the past decade and a half. The reason for this is a probable lesser rate of asset growth, particularly in the life insurance and savings bank groups.

"The result may well be a serious gap in the availability of funds to meet the mortgage demand of a population growing in both numbers and income."

The association concluded its report by stating that **"mortgage investment trusts may be the means for giving the mortgage system a breadth, flexibility, and stability that it does not now have. They present a multi-purpose tool by the use of which the continued expansion of the mortgage banking industry may be assured. They offer new methods for the private accumulation of mortgage funds that give promise that the future needs for mortgage financing can be effectively met by private means."**

Mortgage Delinquency Rate Up in 3rd Quarter

DELINQUENT mortgage loans over the country in the third quarter of 1960, ended September 30, stood at 2.41% as against 2.23% a year earlier, also 2.23% two years ago and 2.05% in the third quarter of 1957, according to the national survey of the Mortgage Bankers Association of America. The 2.41% ratio was based upon 67,807 loans delinquent out of a total of 2,815,664 surveyed. The 2.41% was the highest delinquency ever recorded during the third quarter.

Conventional mortgage loans—those neither insured nor guaranteed by a Government agency—showed the best payment record. These loans one month in arrears amounted to 1.05%, for two months .27%, and three months .19%. FHA insured mortgages set the next best record with one month delinquencies totaling 1.66%, for two months, .36%, and for three months, .30%. GI loans showed a 1-month delinquency of 2.12%, with two months delinquencies, .47% and three months, .35%.

Instalment Credit

· NEWS ·

Bill Against Captive Companies Back Again

Representative Emanuel Celler, Democratic Congressman from New York, told the American Finance Conference not so long ago that he plans to reintroduce early in this next Congressional session his bill to prevent manufacturers of motor vehicles from financing or insuring the sales of their products.

Rep. Celler introduced this during the last session of the House, and similar bills were introduced in the Senate.

Said Rep. Celler: **"Existing anti-trust laws have proved themselves wholly inadequate to cope with this (captive finance company) problem.** Congress must act . . . to preserve free enterprise competition in this great industry."

Rep. Emanuel Celler

Citing specifics, Rep. Celler noted: "From the beginning, . . . General Motors resorted to coercive practices to bring its dealers in line . . . so they would do business with GMAC exclusively. Risk of loss of the valuable General Motors franchise has been a prime deterrent to would-be defectors."

A consent decree in 1952 (a particular instance of challenge to General Motors in what Rep. Celler calls their coercive practices), lacking provisions for divestiture, **"failed utterly to protect against these abuses, much less to undo the results of their coercive thrust."**

# # #

Bank Offers Charge Cards to Visitors

An unconventional credit card and a boost to local business is being offered by Old National Bank in Evansville, Ind., to convention-goers visiting that city.

The first group to be approached was the Indiana Optometric Association. **Special letters of welcome and credit cards were mailed to optometrists and their wives who were planning to attend the convention. A list of 20 downtown stores and hotels which would honor the cards, plus a map giving locations, were included.**

The cards, similar in function to the bank's regular charge cards, were hon-

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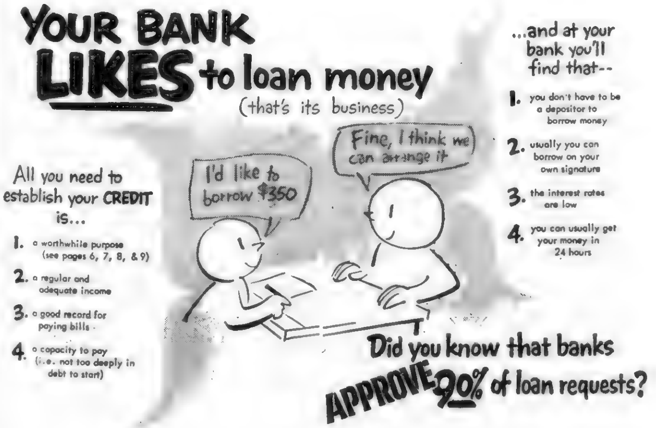

Here's a leaf from **Money for Rent,** ***a booklet on instalment credit printed for consumer distribution by the Channing L. Bete Co., Inc., Greenfield, Mass.***

Among other questions, it answers these for the average family: "Why do people use credit?"; "What are some worthwhile investments that can be made on time?"; "How do you borrow money from your bank?"; "How much should you borrow?"; and "How do you use your credit wisely?".

The booklet can be obtained from the publisher at $.25 a copy, with discounts for quantity orders.

· NEWS ·

Instalment Credit

ored for five days before and after the convention, and billing was done through the bank's charge department 30 days after the visitors' departure.

Merchants, optometrists, wives, and the bank all seemed pleased with the plan's operation.

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Credit Growth Replaces Other Costs, Nadler Says

The sharp increase in consumer indebtedness not only represents higher living standards, but also replacement of other costs, says Dr. Marcus Nadler, consulting economist at The Hanover Bank, New York, and professor of finance at New York University.

Actually, part of the money channeled into consumer credit represents funds that once paid for items or services that now serve exactly the same functions as the now-financed items represent. Equity is acquired as debt for these items is repaid, but it isn't substantial because of depreciation in most instances.

For example, although other services are increasing, the use of domestic help is not—appliances, which are usually instalment credit purchases, are their substitute. Dishwashers, washing machines, and a multitude of other durable appliances are taking that portion of the dollar which went to domestic help, and then some.

And, as the entertainment industry will testify, some of the financed appliances have taken a big bite of the out-of-home entertainment industry.

CALENDAR, 1961

1961 JANUARY 1961

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American Bankers Association

Jan. 23-24	13th National Credit Conference, LaSalle Hotel, Chicago
Feb. 6- 8	42nd Mid-Winter Trust Conference, Waldorf-Astoria, New York
Feb. 12-14	Fifth Regional Mortgage Workshop Meeting, Dinkler Plaza, Atlanta, Georgia
Mar. 6- 8	58th Annual Savings Conference, Hotel Roosevelt, New York
Mar. 16-17	Agricultural Committee and Subcommittee on Agricultural Credit Meeting, Western Skies Hotel, Albuquerque, N. Mex.
Mar. 20-22	Instalment Credit Conference, Conrad Hilton Hotel, Chicago
Apr. 30-May 3	First National Mortgage Conference, Shoreham Hotel, Washington, D. C.
May 3- 5	Fourth Southern Trust Conference, Heidelberg Hotel, Jackson, Miss.
May 29-June 2	American Institute of Banking, Olympic Hotel, Seattle
June 12-24	Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J.
July 12-14	35th Western Regional Trust Conference, Olympic Hotel, Seattle, Wash.
Aug. 7-25	National Trust School, Northwestern University, Evanston, Ill.
Oct. 15-18	87th Annual Convention, San Francisco
Nov. 9-10	30th Mid-Continent Trust Conference, Baker Hotel, Dallas, Tex.
Nov. 13-14	10th National Agricultural Credit Conference, The Statler Hilton, Dallas.

State Associations

Jan. 23-24	Wisconsin Midwinter Conference, Hotel Schroeder, Milwaukee
Mar. 22-25	Florida, Americana Hotel, Bal Harbour
Apr. 5-13	Maryland, Cruise on S.S. Hanseatic
Apr. 8-11	Louisiana, Buena Vista Hotel, Biloxi, Miss.
Apr. 13-14	Georgia, General Oglethorpe Hotel, Savannah
Apr. 26-28	Alabama, Jefferson Davis Hotel, Montgomery
May 4- 5	Oklahoma, Mayo Hotel, Tulsa
May 7- 9	North Carolina, The Carolina, Pinehurst
May 7- 9	Texas, Sheraton Dallas and Statler Hilton hotels, Dallas
May 9-10	Tennessee, Andrew Jackson Hotel, Nashville
May 9-11	Ohio, Deshler-Hilton Hotel, Columbus
May 11	Delaware, Hotel du Pont, Wilmington
May 11-13	South Dakota, Sheraton Johnson Hotel, Rapid City
May 14-16	Missouri, Hotel Muehlebach, Kansas City
May 15-16	Illinois, Sheraton-Jefferson Hotel, St. Louis, Mo.
May 17-19	New Jersey, Chalfonte-Haddon Hall, Atlantic City
May 18-20	South Carolina, Francis Marion Hotel, Charleston
May 18-20	Kansas, Wichita
May 21-23	California, Fairmont Hotel, San Francisco
May 21-24	Pennsylvania, Chalfonte-Haddon Hall, Atlantic City, N. J.
May 22-24	Arkansas, Arlington Hotel, Hot Springs
May 22-24	Mississippi, Buena Vista Hotel, Biloxi
May 25-27	Massachusetts, The Equinox House, Manchester, Vt.
May 26-27	North Dakota, Gardner Hotel, Fargo
June 6- 7	Minnesota, Saint Paul Hotel, Saint Paul
June 7- 8	Indiana, French Lick-Sheraton Hotel, French Lick
June 7-11	Dist. of Col., The Homestead, Hot Springs, Va.
June 8- 9	Connecticut, Equinox House, Manchester, Vt.
June 8-10	New Mexico, La Fonda Hotel, Santa Fe
June 8-11	*Nevada, Sun Valley Lodge, Sun Valley, Idaho
June 8-11	*Utah, Sun Valley Lodge, Sun Valley, Idaho

* Joint Meeting

June 11-13	Idaho, The Lodge, Sun Valley
June 14-16	New York, Lake Placid Club, Lake Placid
June 15-17	Vermont, The Equinox House, Manchester, Vt.
June 15-17	Virginia, The Homestead, Hot Springs, Va.
June 15-17	Wyoming, Jackson Lake Lodge, Moran
June 16-17	**New Hampshire, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 16-17	**New Hampshire Mutual Savings, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 18-20	Washington, Leopold Hotel, Bellingham
June 19-21	Wisconsin, Hotel Schroeder, Milwaukee
June 20-22	West Virginia, The Greenbrier, White Sulphur Springs
June 22-24	Colorado, Hotel Colorado, Glenwood Springs
June 22-24	Michigan, Grand Hotel, Mackinac Island
June 22-24	Montana, Jackson Lake Lodge, Moran, Wyo.
June 23-25	Maine, Poland Spring House, Poland Spring
June 23-24	New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June 25-27	Oregon, Eugene Hotel, Eugene
July 13-14	Western Secretaries Conference, Tropicana Hotel, Las Vegas, Nev.
July 16-18	Central States Conference, Chase Park Plaza Hotel, St. Louis, Mo.

** Joint Meeting

Other Organizations

Apr. 10-12	NABAC Eastern Regional, Hotel Biltmore, Atlanta, Ga.
May 31-June 3	American Safe Deposit Association, Edgewater Beach Hotel, Chicago, Ill.
June 4-17	School of Banking of the South, Louisiana State Univ., Baton Rouge, La.
June 28-30	National Machine Accountants Association, Royal York Hotel, Toronto, Canada
June 19-July 14	School of Business, Univ. of Colo., Boulder
Oct. 9-12	National Association of Bank Women, Sheraton Hotel, Rochester, N. Y.
Oct. 9-12	National Association of Supervisors of State Banks, Stardust Hotel, Las Vegas, Nev.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

JULY

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State and Regional Vice-presidents Are Briefed on A.B.A. Activities

THE meeting of the Organization Committee and state vice-presidents of The American Bankers Association in New York City late in November was attended by the elected and staff officers of the Association. The purpose of the meeting was to brief the regional and state vice-presidents on the functions of the Association's many departments and the wide scope of Association activities. Washington staff officers discussed the broad legislative objectives of the A.B.A. and the Association's counseling service with Government department heads, members of Congress, and appearances before Congressional committees.

The regional and state vice-presidents serve as the liaison between the A.B.A. and the banks in their respective regions and states. Their responsibilities include the maintenance and improvement of the A.B.A. membership. The factual material presented at this meeting will be used by the vice-presidents in their contacts with Association members and prospective members.

Executive Vice-president Merle Selecman explained to the group that while the Association's program is tailored to fit the needs of banks of all types and sizes, a wide variety of activities are designed particularly to meet the needs of the smaller banks.

Working for the membership are hundreds of bankers from every section of the country, from large and small banks, serving on the various Association committees. The headquarters staff and the regional and state vice-presidents also strive to help bankers reap the most benefit from A.B.A. membership.

Bankers appointed by A.B.A. President Carl A. Bimson to serve as state vice-presidents for their respective states in the 1960-61 fiscal year are:

State Vice-presidents

Alabama: **S. Wallace Harper**, president, Robertson Banking Company, Demopolis.

Alaska: **William G. Moran**, executive vice-president, First National Bank, Ketchikan.

Arizona: **W. R. Montgomery**, chairman of board, The Arizona Bank, Phoenix.

Arkansas: **Harvey C. Couch, Jr.**, president, Union National Bank, Little Rock.

California: **Robert S. Beasley**, president, Beverly Hills National Bank and Trust Company, Beverly Hills.

Colorado: **J. H. Macdonald**, president, Colorado Savings and Trust Company, La Junta.

Connecticut: **William G. Boies**, president, Colonial Bank and Trust Company, Waterbury.

Delaware: **Charles M. Hollis, Jr.**, assistant vice-president, Bank of Delaware, Seaford.

District of Columbia: **Daniel J. Callahan, Jr.**, senior vice-president, The Riggs National Bank, Washington.

Florida: **T. E. Tucker**, president, Florida State Bank, Sanford.

Georgia: **William C. Clary, Jr.**, chairman of board and president, Bank of Toccoa, Toccoa.

Hawaii: **Carl E. Hanson**, president, First National Bank of Hawaii, Honolulu.

Idaho: **John A. Schoonover**, chairman of board, Idaho First National Bank, Boise.

Illinois: **O. C. Daggert**, president, National Bank of Sterling, Sterling.

Indiana: **Burr S. Swezey, Jr.**, president, Lafayette National Bank, Lafayette.

Iowa: **E. F. Buckley**, president, Central National Bank and Trust Company, Des Moines.

Kansas: **Elmer T. Beck**, senior vice-president, Topeka State Bank, Topeka.

Kentucky: **R. D. Willock**, president, Citizens National Bank, Bowling Green.

Louisiana: **John J. Doles**, president, First State Bank and Trust Company, Plain Dealing.

Maine: **Frederic S. Newman**, assistant to president, Eastern Trust & Banking Company, Bangor.

Maryland: **William Bowie**, vice-chairman of board, Suburban Trust Company, Hyattsville.

Massachusetts: **William B. Schmink**, vice-president, National Shawmut Bank of Boston, Boston.

Michigan: **Dale I. Sellers**, vice-president, Manufacturers National Bank, Detroit.

Minnesota: **A. G. Sirek**, executive vice-president, State Bank of New Prague, New Prague.

Mississippi: **L. Y. Foote**, president, First National Bank, Hattiesburg.

Missouri: **J. R. Dominick, II**, president, Traders National Bank, Kansas City.

Montana: **J. D. Street**, president, Security Bank & Trust Company, Bozeman.

Nebraska: **Chase Neumann**, president, Farmers and Merchants National Bank, Oakland.

Nevada: **Paul R. Laiolo**, manager, North Reno Branch, Nevada Bank of Commerce, Reno.

New Hampshire: **Harlan L. Goodwin**, president, First National Bank, Portsmouth.

(CONTINUED ON PAGE 109)

A cross-section of the regional and state vice-presidents and A.B.A. staff officers during a session of the meeting

(CONTINUED FROM PAGE 107)

New Jersey: **J. Milton Featherer**, executive vice-president, Penn's Grove National Bank & Trust Company, Penns Grove.

New Mexico: **Jack Hobson**, chairman of board, Otero County State Bank, Alamogordo.

New York: **Lester W. Herzog, Jr.**, executive vice-president, National Commercial Bank & Trust Company, Albany.

North Carolina: **Paul Wright, Jr.**, president, Durham Bank & Trust Company, Durham.

North Dakota: **O. K. Anderson**, president, State Bank of Lakota, Lakota.

Ohio: **Robert A. Sharpe**, vice-president, The Toledo Trust Co., Toledo.

Oklahoma: **Haskell McClain**, vice-president, First National Bank & Trust Company, Oklahoma City.

Oregon: **K. R. Curry**, vice-president, First National Bank of Oregon, Portland.

Pennsylvania: **Mahlon K. Robb**, president, First Bellefonte Bank & Trust Company, Bellefonte.

Puerto Rico: **Rafael Carrion, Jr.**, president, Banco Popular de Puerto Rico, San Juan; president, Puerto Rico Bankers Association.

Rhode Island: **Louis E. Grover, Jr.**, vice-president, Citizens Trust Company, Providence.

South Carolina: **Joe M. Roberts**, executive vice-president and cashier, Newberry County Bank, Newberry.

South Dakota: **Curtis A. Lovre**, president, Northwest Security National Bank, Sioux Falls.

Tennessee: **H. F. Rutherford**, chairman of board and president, Union-Peoples Bank, Clinton.

Texas: **Leon Stone**, vice-president, Austin National Bank, Austin.

Utah: **Russell S. Hanson**, executive vice-president, First National Bank, Logan.

Vermont: **J. Raymond McGinn**, treasurer, Franklin County Bank, St. Albans.

Virginia: **W. N. Shearer, Jr.**, vice-president, First National Exchange Bank, Roanoke.

Washington: **J. Frank Campbell**, vice-president, Seattle Trust and Savings Bank, Seattle.

West Virginia: **Elmer W. Cook**, chairman of board and president, First Clark National Bank, Northfork.

Wisconsin: **Mark A. Rusch**, assistant vice-president, First Wisconsin National Bank, Milwaukee.

Wyoming: **J. W. Pearson**, president, First National Bank, Lovell.

The regional vice-presidents (composing the Organization Committee) coordinate the activities of the state vice-presidents. **John B. Keeline**, president of the Central Trust and Savings Bank, Cherokee, Iowa, is chairman and **George H. Gustafson**, A.B.A. staff member, is secretary of the Organization Committee. The regional vice-presidents:

Regional Vice-presidents

John F. Geis, senior vice-president, The First National Bank, Beaumont, Tex.

H. L. Gerhart, chairman of board and president, First National Bank, Newman Grove, Nebr.

John F. Graham, vice-president, Liberty National Bank and Trust Company, Louisville, Ky.

George J. Greenwood, vice-president, The Bank of California N.A., San Francisco, Calif.

Charles R. Huegely, executive vice-president and cashier, Farmers and Merchants National Bank, Nashville, Ill.

J. Wesley Johnston, assistant vice-president, The Hanover Bank, New York, N. Y.

Curtis C. Jordan, executive vice-president and cashier, Pulaski National Bank, Pulaski, Va.

John R. Kirk, Jr., executive vice-president, Security-Mutual Bank and Trust Company, St. Louis, Mo.

George Munsick, president, Trust Company of Morris County, Morristown, N. J.

G. A. Redding, president, Windom State Bank, Windom, Minn.

Frank W. Thomas, president, Washington Loan and Bank Company, Washington, Ga.

Ray G. Tiegs, president, Wisconsin State Bank of Milwaukee, Milwaukee.

"Credit? Goodness yes, that's my trouble"

Largest paid circulation of any publication in the field . . .
BANKING

News for Country Bankers

(CONTINUED FROM PAGE 86)

logical revolution which is shaking the very foundations of its traditional institutional pattern," said Dr. Butz.

Continuing, Dr. Butz said that "the advances we will experience in the next decade will be unparalleled in American agriculture. It will be the decade of the most far-reaching change in our entire history. Those who serve the growing area of 'Agri-Business' must keep ahead of these changes or be swept away by the tidal wave of change itself.

"The industrial revolution of the past half century by-passed much of agriculture. The agricultural industry, even though mechanizing and increasing its output per worker remarkably, still remained organized typically around the relatively small entrepreneurial family-type unit. . . . The traditional institutional pattern of owner-manager-operator, combined in a single person, has not been seriously challenged by developments associated with the industrial revolution.

"The present agricultural revolution, resting on basic science and closely allied with the widespread advance of automation in both production and distribution, is threatening the traditional pattern of owner-manager-operator all wrapped up in a single person."

Bulk Delivery of Feed Due to Climb in Future Years

BULK delivery of feed will continue to climb steadily in future years because of the advantages it has in labor saving, lower cost, and because it conforms to mechanization of feeding operations, according to Claude L. Scroggs, director of economic research, Southern States Cooperative.

"For large producers with rather sophisticated 'systems,' bulk feed will be delivered to self-feeders or automatic handling systems," he said. "Agreements will be reached between producer and supplier to keep bins or tanks full without reordering and metered for payment as used. We can expect to see additional bulk relay or rural bulk stations in areas distant from mills and where production intensity is not sufficient to justify a local operation. In other areas, we shall see the advent of direct delivery from bulk hopper cars and some bag-to-bulk conversion."

Bankers Need Education on Mechanization, Says Farmer

COMMERCIAL lending agencies should become more liberal and understanding with their credit or else farmers and ranchers will seek and find other sources of loan money. This was the advice of Frank Schuster, a Rio Grande Valley (Texas) farmer and a speaker at the 10th annual Texas Farm and Ranch Credit School for Commercial Bankers at Texas A. and M. College.

"Bankers are particularly reluctant to make loans on specialized equipment," he said. He cited the case of a spinach machine costing $6,000. He could not obtain a loan, but after the machine was finally purchased, it saved many times its original cost in labor expenses.

The bankers conference this year was dedicated to Charles N. Shepardson, founder of the school and now a member of the Board of Governors of the Federal Reserve System, Washington, D. C.

The founder was on hand to receive a plaque of appreciation presented in behalf of the school by Sam Rowe, chairman of the Bankers Advisory Committee and vice-president and agricultural officer of the Alvin State Bank at Alvin.

Mr. Shepardson started the school 10 years ago when he was dean of agriculture at Texas A. and M. The school is designed to keep commercial bankers up to date on the latest policies and developments.

The program's main banquet speaker was Earl Coke, vice-president of the Bank of America, San Francisco.

Honored guests and speakers at the Texas Farm and Ranch Credit School for Commercial Bankers included FRB Member Charles N. Shepardson; Bank of America's Earl Coke; and Alvin, Tex., Banker Sam Rowe, *left to right*

Interest Rates

(CONTINUED FROM PAGE 41)

should begin to edge upward again, depending upon the vigor of the recovery and the determination with which the monetary authorities move to restrain credit availability. My guess would be that interest rates will decline moderately into the spring of 1961 and during the second half of the year will turn up gradually to recover the ground lost during the downturn.

It is pertinent to ask the question: Has the long upswing of interest rates during the past 15 years just about run its course, and are we now entering a period in which both capital market forces and Federal policies will produce a prolonged decline of interest rates? My answer is in the negative because I believe that total capital demands during the Sixties will continue to press against available supplies, and interest rates will generally tend to be firm at high levels.

Five Basic Forces

This view is based upon several basic economic forces which I believe will be operating in the Sixties, as follows:

(1) Recent events in the General Assembly of the United Nations confirm that the cold war will remain with us, and probably intensify, for the foreseeable future. This makes it certain that Federal expenditures for military preparedness and foreign economic aid are likely to rise further in the next several years. We are just beginning the task of trying to win or maintain the friendship of the new African nations against the ruthless competition of the Communist bloc. Our efforts to overcome the lead of the Russians in space are bound to mean accelerated Federal spending. Moreover, it is likely that Federal policies aimed at stimulating a faster rate of economic growth of the country, to keep ahead of the Communist countries and to demonstrate that our free economic system is better than theirs, will lead to rising Federal spending in certain areas such as education, housing, medical aid, and the like. There are serious dangers involved in this trend toward rising Federal expenditures, of

(CONTINUED ON PAGE 114)

(CONTINUED FROM PAGE 112)

which I take a dim view, but it seems very likely to occur.

(2) During the Sixties we have the prospect of a significant stepping up in the rate of household formations, which should contribute to a rising volume of consumer expenditures and home building. According to the latest projections of the Bureau of the Census, the annual rate of household formations will increase for the next 20 years. Under the most favorable assumptions for increase, the Bureau of the Census projects that the annual rate of household formations will rise from about 883,000 in the last two years of the Fifties to an annual rate of about 1,018,000 in the first five years of the Sixties, and to a slightly higher annual rate of 1,083,000 in the second half of the decade. During the Seventies the projections show a more pronounced rise to an annual rate of 1,338,000 in the second half of that decade. Accordingly, the expanding markets for consumer goods and housing occasioned by the higher rate of household formation should enhance the general economic prospects of the Sixties. However, the impact of a rising rate of household formation this decade should not be exaggerated. The average annual rate of 1,083,000 in the second half of the Sixties is still considerably below the annual rate of 1,525,000 in the three-year period from April 1947 to March 1950.

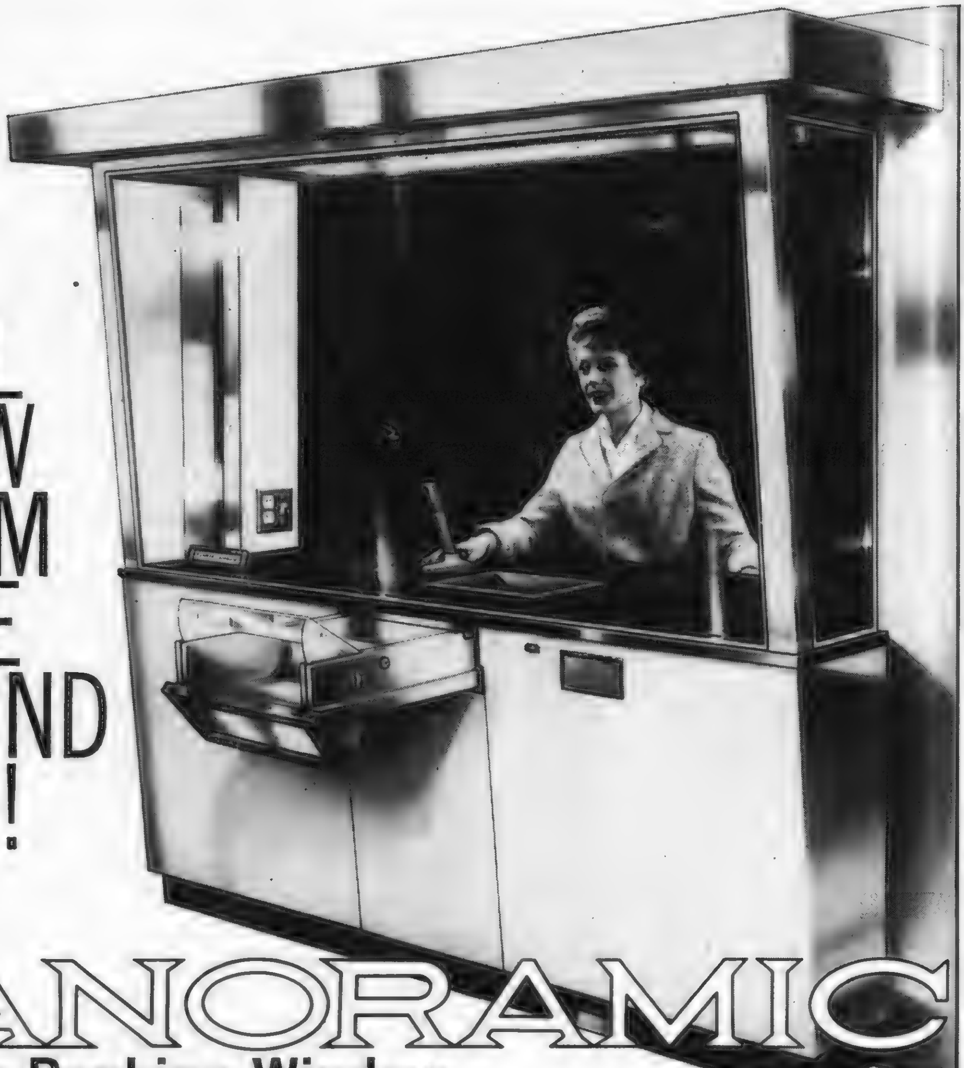
(3) With the expansion of family formation in the Sixties, a continued substantial rise in expenditures by state and local government units seems to be indicated. This is an area in which there is still a large backlog of demand. State and local expenditures (in real terms) increased persistently from $26.5-billion in 1949 to $44.3-billion in 1959, and it would not be surprising if they showed a comparable increase in this decade, which would carry them to the neighborhood of $75-billion by 1970. Here would be a powerful force for raising business activity.

(4) It seems likely that with the three preceding forces at play, the rate of business and industrial plant and equipment expenditures should continue to move upward from the levels of the Fifties. Spurred by keen competition in our industrial system, and still further increases in the funds devoted to industrial research, plant and equipment expenditures by business and industry should rise during the decade.

(5) In a more pessimistic vein about the economic outlook, I suspect that the reservoir of demand for consumer goods and housing which was dammed-up during the Thirties and World War II is finally in the process of running dry. There is some clear-cut evidence of this. For example, the huge postwar demand on the part of veterans for housing under the VA home loan guaranty program seems to have largely exhausted itself. Indeed, the failure of homebuilding as a whole to respond this year to somewhat greater availability of mortgage financing, and the increasing reports of pockets of unsold homes and rising vacancy rates in apartment buildings, may also signal in part that the lush days of big backlog demand for housing are reaching an end. In a way, we may be witnessing the same thing in the sale of automobiles today as the public no longer is willing to purchase

(CONTINUED ON PAGE 117)

ALL NEW FROM THE GROUND UP!



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(CONTINUED FROM PAGE 114)

any car coming on the market but is more insistent on compact cars free of the frills which were accepted in the Fifties. The huge backlog of demand which was evident in the first decade and a half after the War was fed by liquid assets accumulated by the public during the War, and even more so by the easier and easier credit in the consumer loan and home loan fields. The consuming public has used up a good part of these liquid assets, or they have been drained by the rising price level, and we have apparently gotten to the end of the line in making consumer or home mortgage terms easier. This is not to say that the level of consumer expenditures will not continue to rise in the Sixties. I am confident that it will, but consumer spending in the Sixties will not be fortified by the great backlog of wants and desires which characterized most of the Fifties. Markets should become more competitive as consumers become more selective.

Sixties' Capital Requirements

Accordingly, during the Sixties our national economy is likely to grow at as fast a rate as in the Fifties and, in the process, to require enormous amounts of capital funds. This does not mean that the growth rate will be uniform each year, because fluctuations in general business activity and in capital expansion are inherent in a dynamic free market economy such as ours. However, despite fluctuations in general business activity and in interest rates, I believe that on the average in the Sixties the great demands for capital funds will press against the supply of these funds from savings sources and from the increase in the money supply permitted to accommodate sustainable growth without inflation. Consequently, on the average, I expect long-term interest rates to remain in the Sixties at the level reached in 1959.

Under the conditions likely to prevail in the Sixties, any Government program to force down interest rates would be a failure because it would require an inflationary expansion of the money supply. This would be self-defeating, because inflation destroys the will of the people to save and thus is a potent force in itself toward higher interest rates.

IDEAS | SYSTEMS

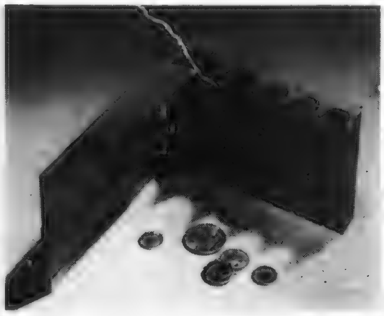
WHAT'S NEW

BOOKLETS | PRODUCTS

This department is compiled by ETHEL M. BAUER *of* BANKING'S *staff. Mention in this column does not constitute endorsement by the American Bankers Association.*

A NEW microfilm reader-printer employing a photographic process that will recapture an enlarged print from even the poorest source document under ordinary lighting conditions has been announced by **Documat, Inc., Belmont, Mass.** Similar to a photocopy machine in operation, the new reader-printer works with push-button ease and can be used by anyone in the office without special training. The Documat machine, which fits easily on any office desk, automatically produces positive prints from negative microfilm or vice versa. Both roll or unitized film may be either read or printed.

AN EASY way to sort and count coins is the **Estrem Time Saver**, a small, compact, plastic box which has five calibrated compartments for as many denominations of coins. It is convenient for carrying large amounts of change to bank for deposit. Makes an attractive promotion piece when imprinted with a bank name. Available in four pastel shades. Write for further details to **Estrem Distribution, Inc., Slayton, Minn.**



OPERATION of the new $1 and $5 electronic currency changer of **National Rejectors, Inc.,** is shown in illustration. The change-maker electronically validates and accepts genuine U.S. currency and rejects counterfeits and foreign currency. Returns convenient change for a $1 bill and four one's and change for a $5 bill at the push of a button. It also makes change automatically for quarters and half-dollars. The unit is packaged in a turquoise-green and gold console cabinet about the size of a large upright TV set. Produced by **National Rejectors, Inc.,** a subsidiary of **Universal Match Corp., 5100 San Francisio Ave., St. Louis 15, Mo.**

OF SPECIAL interest to the banking field is the announcement from the **Sanborn Map Company, Inc.,** of the development of a completely new type of map pinpointing relative neighborhood buying power within recognized metropolitan areas throughout the United States. Maps covering 50 metropolitan areas with 47% of the nation's households and an estimated 53% of the country's total net effective buying power are expected to be completed within the next six months. Of these, maps of 16 such areas are already printed and available. For a sample map and further details write to **Sales Div. Sanborn Map Co., Inc., 629 Fifth Ave., Pelham, N.Y.**

BOOKLETS

Bright Ideas to make Bright Girls Shine at Filing, is a booklet aimed at increasing filing efficiency and reducing errors. This 16-page booklet can be used as a training manual, or can be left on filing cabinets for quick easy reference. Write for free copy to **Avery Label Co., 1616 South California Avenue, Monrovia, Calif.**

THE NEW catalog issued by the **Revolving Door Division of International Steel Company** includes full specifications on the current lines of International revolving doors and swing door entrances, and also announces the new balanced doors. Copies are available from **Sales Dept., 1460 Edgar Street, Evansville, Ind.**

A REVISED edition of the book, *Words Often Used in Business—They Bring Profit,* has been released by **Cities Service Petroleum, Inc.** This edition is a 53-page booklet containing over 1,000 definitions of terms used every day by businessmen. Free copies may be obtained by writing the **Department of Business Research & Education, 60 Wall Street, New York 5, N. Y.**

A New View in Drive-In Banking is an 8-page booklet featuring the new panoramic drive-up window being introduced by **Diebold, Inc.** Write to **Carl Syryock, Diebold, Inc. Canton, Ohio,** for details.

Banking's Great Untold Story, a fact sheet for bankers, is a 12-page booklet just released by the **Atlas Advertising, Inc.** For your free copy write to **481 Harvard Street, Brookline 46, Mass.**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New Books

The Fed Discount Window

THE FEDERAL RESERVE DISCOUNT WINDOW: ADMINISTRATION IN THE 5TH DISTRICT. By *George W. McKinney, Jr.* Rutgers University Press, New Brunswick, N.J. 157 pp. $4.50.

This volume, second in the Rutgers Banking Series, is based on Mr. McKinney's Stonier Graduate School of Banking thesis. The author, assistant vice-president, Irving Trust Company, New York, is a member of the Class of 1958 at the School. His book reviews use of the discount window by Reserve member banks; special reference is made to discount administration in the Fifth District.

There is a widespread lack of understanding of the principles involved in discount administration and a general lack of familiarity with borrowing procedures. What precisely are the conditions under which member banks can and do borrow from the Federal Reserve banks? What are the factors taken into consideration by the Reserve banks in extending credit to member banks? A review has been needed that would explain—as this book does—the administration of the discount functions in terms of the people who must make the decisions to approve or disapprove individual member banks applications for credit. Who actually makes the decisions? What are the factors they consider in arriving at these decisions? How do their criteria differ as economic conditions change?

This authoritative discussion of the discount function, its historical development, and its proper relation to the administration of the Federal Reserve credit policy is based on detailed knowledge of discount administration at one of the Reserve banks.

Other Books

ESTATE PLANNING. By *William R. Spinney.* Commerce Clearing House, Chicago. 96 pp. $1.50. Eighth edition (1961) of a quick reference booklet that provides a compact source of information, a general survey of the field, and citations to supporting authority.

PRESIDENTIAL TRANSITIONS. By *Laubin L. Henry.* Brookings Institution, Washington, D.C. 755 pp. $7.50. An account of the critical months preceding and following the inaugurations of Presidents Wilson, Harding, F.D. Roosevelt, and Eisenhower.

ENERGY IN THE AMERICAN ECONOMY 1850-1975. By *Sam H. Schurr* and *Bruce C. Netschert.* Johns Hopkins Press, Baltimore. 774 pp. $12.50. The authors review the past and look at the likely patterns of energy supply and demand 15 years from now.

The Dollar

(CONTINUED FROM PAGE 43)

"growing distrust" of the dollar. At the 1959 Fund meeting Treasury Secretary Anderson spoke publicly of our large payments deficit while industrial countries of the free world were enjoying big surpluses in 1958 and 1959. This, he said, was "not . . . a satisfactory pattern of world payments and cannot be expected to persist." He pointed out that the U.S., through its aid programs, was in fact financing the export surpluses of industrial countries in which under-developed countries were spending aid dollars; yet in the industrial countries American trade was still subjected to discriminatory treatment.

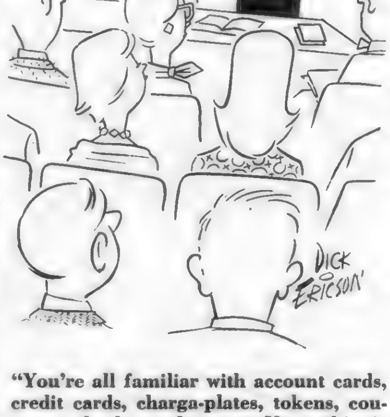
As a partial corrective the U.S., late in 1959, decided that, wherever practicable, loans made by the Development Loan Fund should be "tied"; i.e., the proceeds spent only in the U.S. Liberals were horrified at this "retrogressive" step. Senator Fulbright demanded a written explanation from the DLF. The Administration, meanwhile, intensified efforts to stimulate U.S. exports as a corrective. Since then U.S. exports have increased, largely in response to the boom in Europe. The U.S. reportedly has continued to press for the removal of discriminatory trade barriers abroad. For a time it seemed that the payments deficit might be lessening; and within the Administration, it is said, there were divided counsels, particularly between Treasury and State. During the third quarter of 1960 the deficit trend again gained momentum and the gold outflow became heavy. "Hot dollars," owned by Americans as well as foreigners, moved abroad in apparently large volume. Anxiety over the dollar's future increased.

Hot Money Pressure

Hot money thus became an important contributing factor in the pressure on the dollar. While Europe's business was booming, the American economy was dragging. High interest rates abroad and low interest rates here had a suction effect. European countries became the recipients of capital they were not seeking and of dollar reserves which some of them, as a matter of standing policy, automatically converted into gold. Some of those countries, as reported in BANKING's December issue, took measures to discourage the capital inflow. For this and other reasons, speculators appeared as buyers on London's free gold market. In late October a sudden scramble for gold made its appearance there, and the price shot up to $41 an ounce, as compared with the U.S. official price of $35. This, in effect, put a 14.6% discount on the dollar and, by the same token, on the pound sterling and all other currencies defined in terms of gold or of the dollar.

Normally the Bank of England, as agent, sells Commonwealth newly mined gold on the free market; but there was not enough newly mined gold on hand to meet the speculators' sudden demand. When, finally, it was arranged in Washington for the Bank of England to sell monetary gold, which it can get here at $35.0875 an ounce, the premium in London was suppressed. In effect and indirectly, this was done by the U.S. One result of the alarming gold flare-up was a spate of activity in Washington, involving the issuance of a Presidential directive and the unprecedented visit of Secretary of the Treasury Anderson and Under Secretary of State Dillon to Bonn.

West Germany has been exceedingly prosperous. On the frontiers of the communist world, its defense is largely provided by NATO. One of many countries whose factories have been equipped at the expense of the U.S. taxpayer through aid programs, Germany's industries are giving U.S. exporters strong competition. While the U.S. has been experiencing a payments deficit of from $3- to $4-billion a year, Germany has been adding about $2-billion a year to its reserves. Some $600,000,000 of our deficit is accounted for by military spending in Germany. It is the U.S. Government's desire that, one way or another, a diminution of the U.S. payments deficit be brought about by German programs which will reduce the German surplus correspondingly. Some other countries, although in lesser degree than West Germany, are also in a position to give similar help—notably Italy and Japan.



"You're all familiar with account cards, credit cards, charga-plates, tokens, coupons, checks and notes. Now, this is what is known as 'money'!"

The Effort at Bonn

If Secretary Anderson's object in Bonn was to get an immediate lift for the U.S. payments balance, it was hardly an outstanding success. So unfavorable was press comment that President Eisenhower issued a public statement fully approving Mr. Anderson's effort and conduct in Europe. Perhaps the disturbed and evasive response he got from the Germans at the last Fund meeting removed any illusions Mr. Anderson may then have had as to what he could achieve with the Germans; but the trip at least served to draw the world's attention to the U.S. payments problem, and the effort may have served to reassure the world that no stone will be left unturned to defend the dollar. On the other hand, the gap between what Mr. Anderson wants and what the Germans are willing to do is so great that, unless the U.S. takes major measures, such as cutting down spending abroad, full confidence will not be restored.

The steps undertaken in the Eisenhower directive of November 16 to reduce the payments deficit are steps in the right direction. Of themselves, they are not enough. They are designed "not to diminish our military strength or to impair our international economic aid programs." Our lavish foreign aid since World War II has changed a dollar scarcity into a dollar surplus. Thus, in September

(CONTINUED ON PAGE 124)

(CONTINUED FROM PAGE 122)

the World Bank sold a $100,000,000 issue of U.S. dollar bonds entirely outside the U.S. The bonds were bought by investors in Cambodia, Ethiopia, Finland, Ghana, Iraq, Israel, Malaya, Thailand, Yugoslavia, and other countries.

President Eisenhower's directive calls rather for a gradual reduction in dependents abroad of military and civilian personnel; reduction of military and other procurement overseas; virtual prohibition of PX and similar purchases of foreign goods; emphasis of "buy American" in ICA activities; eliminating so far as possible foreign discriminatory treatment of American trade; seeking increased travel here by foreign tourists and urging foreign governments to give such tourists more liberal treatment as to spending here; exercising increased care in U.S. surplus disposal programs so as not to interfere with U.S. cash sales of commodities; more vigorous attention to "buy American" in the DLF.

What to Do With a Deficit

In December the U.S. listed 19 countries in which aid dollars may no longer be spent. The probable balance of payments benefits from this move are estimated at less than $200,000,000, while the procurement, henceforth, of costlier U.S. goods will add about $100,000,000 to our aid budget.

Secretary Anderson explains:

> When one faces a deficit, one goes about the problem by saying, "How do I increase my income; how do I persuade other people to assume a part of the responsibility, and how do I tailor my expenditures to do the greatest amount of good?"

These are not, of course, the precepts of *Poor Richard's Almanac.* The problem of our payments deficit may be described as made in America. Its solution, if there is to be one without more serious consequences to the dollar, must be looked for not in Bonn, Paris, London or Tokyo, but in Washington. Not even the richest nation can afford indefinitely to ignore economic truths. As stated by the managing director of the Monetary Fund, "The Lord has given no dispensation to the United States from the ordinary credit principles."

The OUTLOOK and CONDITION OF BUSINESS

(CONTINUED FROM PAGE 33)

If recent trends continue, we can assume that by February the seasonally adjusted rate of unemployment will increase from 6.4 to 7.0% of the labor force. This would mean total unemployment in February of approximately 5.8 million." (Peter Henle, assistant director of research, AFL-CIO)

Are there any characteristics peculiar to the current economic situation?

"What is perhaps the most disturbing thing about this recession is that it began at a time when the economy had not yet achieved a full recovery from the previous recession and . . . the problem for the year ahead is not only to halt and reverse the business downturn but also to return as quickly as possible to the level of income and employment which the economy is capable of achieving." (Joseph A. Pechman, Brookings Institution)

"Even if we have a relatively mild and shallow recession, our basic economic problem is not over. . . . The current economic situation is not that of the beginning of a typical recession. Rather it reflects the consequences of a high level of creeping stagnation. Basically it is not a deep-seated maladjustment in the private sector of the economy . . . Rather the high marginal rates of Federal taxation, combined with a much slower growth of Federal expenditures, have generated a depressing influence on the economy." (Charles L. Schultze, associate professor of economics, Indiana University)

What of capital investment in 1961?

"I expect that 1961 will be a year of contraction in private capital investment, as a whole, but clearly not a year of considerable decline. Total private investment may drop to $67.2-billion . . . compared with $73.5-billion this year, a decline of less than 9%. And if the change in inventories is omitted from this calculation, the decline is less than 2%." (Douglas Greenwald, McGraw-Hill Publishing Co.)

What trend is to be expected in the GNP?

"Gross national product will show little change through the winter, with an upturn coming next spring

(CONTINUED ON PAGE 128)

BY THE WEIGH

Inflation's reaching far and wide;
It's life's most baffling riddle;
I notice it on every side,
But mainly in the middle!

STEPHEN SCHLITZER

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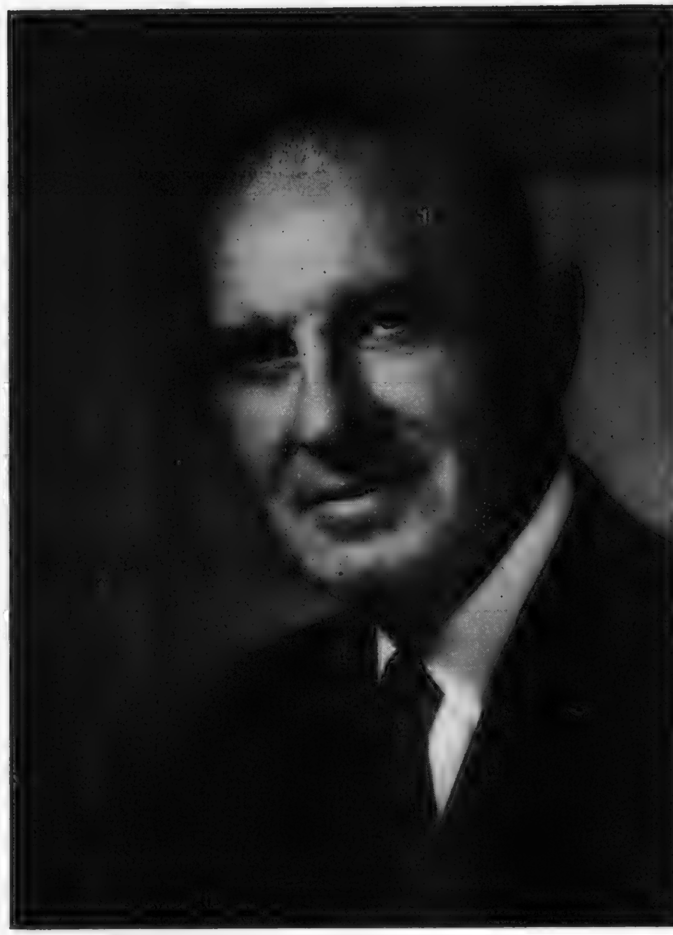

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BANKING
JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

(CONTINUED FROM PAGE 126)
and carrying to an annual rate of approximately $513-billion for the year. This is in current dollars and some of the rise in activity reflects the expected continued rise of the general price level, notably for services. In constant prices I expect a decline of roughly 2% from the second quarter of 1960 to the first quarter of 1961. This is a picture of a mild contraction, followed by a relatively sluggish rise which would leave the economy operating below capacity by the fourth quarter of 1961." (William W. Tongue, Economist, Jewel Tea Co.)

What upward economic forces are in evidence?

"While the economy . . . is operating at high rates, nevertheless, there are no dynamic upward forces of sizable magnitude evident as yet to push total activity in an upward course." (Louis Paradiso, Commerce Department)

What is the agricultural outlook for the new year?

"Heavy supplies will continue the dominant feature in the agricultural situation in 1961 . . . Rising livestock production is expected . . . Higher production of poultry products . . . large marketings of 1960 crops . . . Cotton disappearance is expected to exceed production again . . . Demand for food is likely to continue strong." (Agricultural Marketing Service, U.S. Department of Agriculture)

What are the prospects for consumer income?

"As economic growth is resumed in 1961, further increases in consumer income will be generated. With prospects that consumer prices will continue fairly stable, per capita purchasing power, currently at a record high, may well show a further gain." (Nathan M. Koffsky, USDA)

Three most important factors affecting the direction of business conditions in the near future are consumer expenditures, outlays for new plant and equipment, and Government expenditures.

As to the first, the level of personal income is such that consumers can spend if they wish to.

Regardless of President Eisenhower's budget message this month, the level of Government expenditures will not be known until the new Administration's program is unveiled.

On the question of new plant and equipment, a survey by the Department of Commerce and the Securities and Exchange Commission indicates an adjusted annual rate of $35-billion in the new year's first quarter, about $500,000,000 less than indicated for 1960's final quarter (adjusted annual rate).

A report on the survey says:

"Capital outlays by manufacturers, which accounted for most of the recent rise in investment, are expected to edge off from the mid-1960 seasonally adjusted annual rate of $14.7-billion. Manufacturers are planning to spend at the annual rate of $14.3-billion in both the fourth quarter of 1960 and the first quarter of 1961. The anticipated reduction in spending occurs primarily in the durable goods industries, where projected first quarter 1961 outlays are about 5% lower than in mid-1960."

WILLIAM P. BOGIE

BANKING INDICATORS

		Latest Month	Previous Month	Year Ago	Change in: Month	Change in: Year
MONTHLY FIGURES						
All commercial banks (mil. of $— estimates as of last Wednesday of month)						
Total deposits	(Nov.)	218,230	216,580	210,060	+0.8%	+3.9%
Demand, gross		146,220	144,570	143,430	+1.1%	+1.9%
Time, gross		72,010	72,010	66,630	—	+8.1%
Total loans	(Nov.)	115,010	114,790	109,470	+0.2%	+5.1%
Total investments	(Nov.)	80,680	80,890	78,690	−0.3%	+2.5%
Money supply (coin, currency & demand deposits in banks—seasonally adjusted—bil. of $)	(Nov.)	138.8	139.9	140.1	−0.8%	−0.9%
Turnover of demand deposits (337 reporting centers—seasonally adjusted annual rate)	(Oct.)	25.5	26.0	24.7	−0.2%	−3.2%

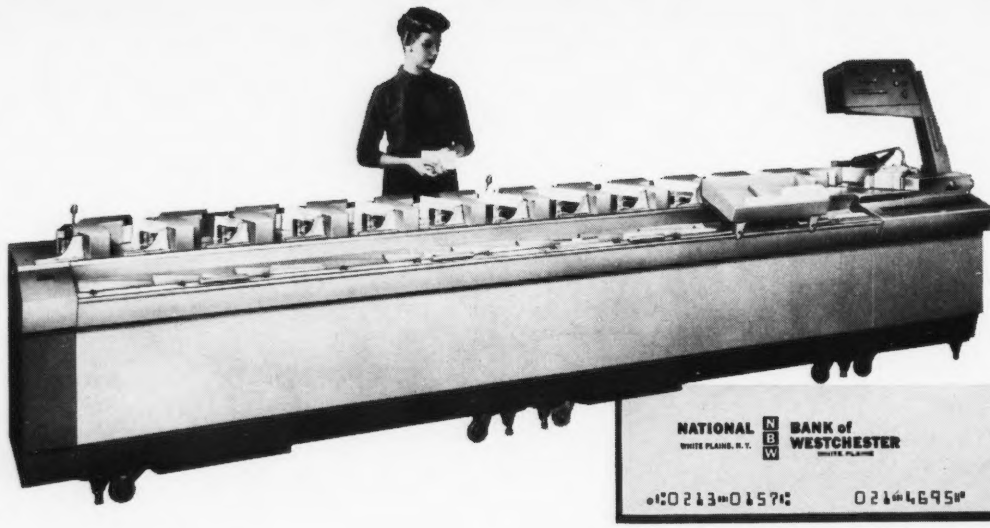
		Latest Week	Previous Week	Year Ago	Change in: Week	Change in: Year
WEEKLY REPORTING MEMBER BANKS (mil. of $)	(Nov. 30)					
Commercial and industrial loans		31,742	31,702	30,015	+0.1%	+5.8%
Agricultural loans		1,069	1,076	913	−0.7%	+17.1%
Real estate loans		12,524	12,530	12,574	−0.04%	−0.04%
Other loans (largely consumer)		15,411	15,356	14,372	+0.4%	+7.2%
U.S. Government securities held		29,312	29,001	28,164	+1.1%	+4.1%

		Latest Week	Previous Week	Year Ago	Change in: Week	Change in: Year
ALL MEMBER BANKS (mil. of $)	(Dec. 14)					
Excess reserves		716	701	443	+15	+273
Member bank borrowing at F.R. banks		70	60	956	+10	−886
Free (+) or net borrowed (−) reserves		+646	+641	−513	+5	+1159

KEY SERIES OF THE MONTH Rate on Federal funds (selected weeks)	M	T	W	Th	F
Sept. 5-9	—	3-2½%	2¾-2½%	3-3%	3-3%
Oct. 3-7	2½-3%	2¼-2¾%	2¼-2¾%	3-3%	2¾-3%
Oct. 31-Nov. 4	2¾-3%	3-3%	3-3%	3-3%	2¾-3%
Dec. 5-9	1½-2%	1½-1¾%	1½-2%	1½-2%	2-2½%

The latest credit easing moves have been reflected in the market for Federal funds—reserves lent by one bank to another. In the opening weeks of December, Federal funds frequently traded at a rate of 1½%.

The rates experienced most often during the rest of the year were between 2½% to 3%. Lower rates in December gave evidence that banks in large cities were finally less pressed for funds.



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